



Annual Financial Report
June 30, 2019

Redwood City School District

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REDWOOD CITY SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds - Statement of Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	59
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	60
Schedule of the District's Proportionate Share of the Net Pension Liability	61
Schedule of District Pension Contributions	63
Notes to Required Supplementary Information	65

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	67
Local Education Agency Organization Structure	69
Schedule of Average Daily Attendance	70
Schedule of Instructional Time	71
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	72
Schedule of Financial Trends and Analysis	73
Schedule of Charter Schools	74
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	76
Note to Supplementary Information	77

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	80
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	82
Report on State Compliance	84

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	88
Financial Statement Findings	90
Federal Awards Findings and Questioned Costs	91
State Awards Findings and Questioned Costs	92
Summary Schedule of Prior Audit Findings	93

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Redwood City School District
Redwood City, 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 Redwood City School District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 59, schedule of changes in the District's total OPEB liability and related ratios on page 60, schedule of the District's proportionate share of the net pension liability on pages 61 through 62, and the schedule of District pension contributions on page 63 through 65, 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 District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the 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 the 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 the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Palo Alto, California
December 13, 2019

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

This section of Redwood City School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by generally accepted accounting principles.

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

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

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The financial statements also include notes that explain some of the information in the statements and provide detailed data. The statements are followed by supplementary information that further explains and supports the financial statements.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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 is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the 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. The quality of the education and the safety of our schools are also an important component in this evaluation.

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in 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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(23) million for the fiscal year ended June 30, 2019. Of this amount, (\$105) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. The District's analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in thousands)

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 166,176	\$ 179,946
Capital assets	105,133	90,249
Total Assets	271,309	270,195
Deferred Outflows	27,414	29,878
Liabilities		
Current liabilities	27,087	27,608
Long-term obligations	283,262	294,630
Total Liabilities	310,349	322,238
Deferred Inflows	11,485	8,832
Net Position		
Net investment in capital assets	41,878	29,143
Restricted	40,265	42,010
Unrestricted	(105,254)	(102,149)
Total Net Position	\$ (23,111)	\$ (30,996)

REDWOOD CITY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The (\$105) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and includes \$86 million of net pension liabilities and pension deferrals and \$30 million of other post employment benefits liabilities and related deferrals.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so that it would reflect the District's total revenues for the year.

Table 2

(Amounts in thousands)	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 1,434	\$ 2,256
Operating grants and contributions	28,905	29,163
General revenues:		
Federal and State aid not restricted to specific purposes	42,823	41,262
Property taxes	54,671	54,697
Other general revenues	4,166	1,125
Total Revenues	131,999	128,503
Expenses		
Instruction and instruction-related	88,660	89,444
Student support services	11,499	11,116
Administration	5,895	5,924
Maintenance and operations	10,209	9,604
Other	7,848	6,641
Total Expenses	124,111	122,729
Change in Net Position	\$ 7,888	\$ 5,774

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of District's governmental activities this year was \$124 million. However, the amount that taxpayers ultimately financed for these activities through local taxes was \$55 million because the cost was paid by those who benefited from the programs (\$1 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$29 million). The District paid for the remaining "public benefit" portion of its governmental activities with \$43 million in Federal and State funds and \$4 million with other revenues, like interest and general entitlements.

REDWOOD CITY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

In Table 3, the District has presented the cost and net cost of each of the District's largest functions: regular program instruction, school administration, pupil services, administration, plant services and other. 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 its citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in thousands)	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 71,670	\$ 73,372	\$ 56,045	\$ 58,829
Instruction-related	16,989	16,071	14,029	14,037
Pupil Services	11,499	11,116	6,253	5,975
Administration	5,895	5,924	4,999	5,230
Plant Services	10,209	9,604	9,928	9,453
Other	7,848	6,641	2,518	(2,216)
Totals	\$ 124,110	\$ 122,728	\$ 93,772	\$ 91,308

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of \$155 million, which is a decrease of \$14 million from last year (Table 4).

Table 4

(Amounts in thousands)	Fund Balance	
	2019	2018
General	\$ 11,592	\$ 10,811
Child Development	108	4
Cafeteria	2,173	2,123
Building	100,313	114,249
Capital Facilities	21,014	18,810
Special Reserve for Capital Outlay Projects	2,083	2,038
Bond Interest and Redemption	17,407	20,714
Totals	\$ 154,690	\$ 168,749

The primary reasons for these changes are:

- a) The Building Fund decreased by \$14 million due to capital expenditures related to Bond Construction and Modernization Projects.
- b) The Capital Facilities Fund balance has increased by \$2 million due to increases in developer fees and receipt of RDA funds.
- c) The Bond Interest and Redemption Fund balance has decreased by \$3 million due to payments of the District's general obligation bonds.

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as the District attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 59).

Changes between our 2018-19 original and final budgets are primarily due to budget revisions as new information becomes available during the fiscal year.

- a) Budgeted revenues increased by \$5.5 million due to the following:

Fund changes due to recalculation of Local Control Funding Formula (LCFF) entitlement, increases for STRS and PERS on-behalf revenue entries, reflection of updated entitlements for Federal grants (Title I/III/IV) and carryover amounts, and increases for Low-Performing Students Block Grant and other local donations

- b) Budgeted expenditures increased by \$7.3 million due to the following:

STRS and PERS on-behalf expenditure entries, which represent \$4.6 million of the \$7.3 million of expenditure increases; while the majority of the difference reflects increases in budget due to local donations, entitlement changes, and carryover budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$105 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount is consistent to the amount last year (Table 5).

Table 5

(Amounts in thousands)

	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 31,159	\$ 12,794
Buildings and improvements	70,935	74,516
Equipment	3,038	2,939
Totals	\$ 105,132	\$ 90,249

We present more detailed information about our capital assets in Note 5 to the financial statements.

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Long-Term Obligations

At the end of this year, the District had \$296 million in long-term obligations versus \$309 million last year, a decrease of \$12 million or 4 percent. Long-term obligations consisted of:

Table 6

(Amounts in thousands)	Governmental Activities	
	2019	2018
General obligation bonds (financed with property taxes)	\$ 160,457	\$ 171,997
State school building loans	950	1,051
Accumulated vacation - net	478	535
Capital lease payable	2,161	2,307
Food program reimbursement	-	443
Total other post employment benefit liability	29,740	30,097
Net pension liability	102,925	102,726
Totals	\$ 296,711	\$ 309,156

The District's general obligation bond rating is "A+". The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$160 million is significantly below the statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits, net pension obligations, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Redwood City School District (RCSD) has embarked on a process to plan for the organization's future in order to focus on its core mission of educating every child for success. Given the continuing decline in student population with 1,500 fewer students than six years ago, shift in demographics, reduced funding and rising operational costs, the RCSD has taken fiscally prudent steps to manage its resources to keep providing a high-quality education to its students.

On November 28, 2018, the RCSD Governing Board approved the closure of four (4) school sites to "right size" operations. This will provide annual savings going forward, and generate new revenues through leasing of the sites. The schools that were approved for closure beginning in fiscal year 2019-20 are Fair Oaks Elementary, Hawes Elementary, Orion Alternative, and Adelante Spanish Immersion.

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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, please contact Priscilla Aquino-Dichoso, Chief Business Official, at Redwood City School District, 750 Bradford Street, California, 94063, or e-mail at paquinodichoso@rcsdk8.net.

REDWOOD CITY SCHOOL DISTRICT

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

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 158,748,379
Receivables	7,082,674
Prepaid expenses	276,589
Stores inventories	69,323
Capital assets not depreciated	31,159,453
Capital assets, net of accumulated depreciation	<u>73,973,297</u>
Total Assets	<u>271,309,715</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	26,524,945
Deferred outflows of resources related to OPEB	<u>888,595</u>
Total Deferred Outflows of Resources	<u>27,413,540</u>
LIABILITIES	
Accounts payable	9,379,729
Interest payable	2,151,396
Unearned revenue	2,107,418
Current portion of long-term obligations other than pensions	13,448,695
Noncurrent portion of long-term obligations other than pensions	150,596,872
Total OPEB liability	29,739,962
Aggregate net pension liability	<u>102,924,937</u>
Total Liabilities	<u>310,349,009</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	9,922,635
Deferred inflows of resources related to OPEB	<u>1,561,965</u>
Total Deferred Inflows	<u>11,484,600</u>
NET POSITION	
Net investment in capital assets	41,878,177
Restricted for:	
Educational programs	1,822,918
Child nutrition programs	2,172,765
Debt service	15,255,884
Capital projects	21,013,510
Unrestricted	<u>(105,253,608)</u>
Total Net Position	<u><u>\$ (23,110,354)</u></u>

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

REDWOOD CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 71,670,437	\$ 246,123	\$ 15,379,274	\$ (56,045,040)
Instruction-related activities:				
Supervision of instruction	5,399,555	24,850	1,650,313	(3,724,392)
Instructional library, media, and technology	2,968,203	4,418	206,998	(2,756,787)
School site administration	8,621,631	20,380	1,053,450	(7,547,801)
Pupil services:				
Home-to-school transportation	1,505,816	-	76,421	(1,429,395)
Food services	5,120,712	783,320	3,595,853	(741,539)
All other pupil services	4,872,621	6,216	784,021	(4,082,384)
Administration:				
Data processing	655,021	-	31,598	(623,423)
All other administration	5,240,203	49,476	814,816	(4,375,911)
Plant services	10,209,423	2,118	279,295	(9,928,010)
Community services	1,310,107	12,088	652,553	(645,466)
Interest on long-term obligations	6,452,283	-	-	(6,452,283)
Other outgo	85,620	284,796	4,380,752	4,579,928
Total Governmental Activities	\$ 124,111,632	\$ 1,433,785	\$ 28,905,344	(93,772,503)
General Revenues and Subventions:				
				36,075,110
				14,087,931
				4,507,883
				42,823,039
				2,684,803
				1,480,733
			Subtotal, General Revenues	101,659,499
			Change in Net Position	7,886,996
			Net Position - Beginning	(30,997,350)
			Net Position - Ending	\$ (23,110,354)

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

REDWOOD CITY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
ASSETS				
Deposits and investments	\$ 15,848,961	\$ 102,082,724	\$ 19,255,944	\$ 17,315,051
Receivables	5,589,175	630,537	136,324	92,229
Due from other funds	334,909	735,663	2,421,918	-
Prepaid expenses	263,096	5,078	-	-
Stores inventories	22,820	-	-	-
Total Assets	\$ 22,058,961	\$ 103,454,002	\$ 21,814,186	\$ 17,407,280
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,980,721	\$ 3,128,659	\$ 63,934	\$ -
Due to other funds	2,400,000	12,208	736,742	-
Unearned revenue	2,086,198	-	-	-
Total Liabilities	10,466,919	3,140,867	800,676	-
Fund Balances:				
Nonspendable	360,916	5,078	-	-
Restricted	1,715,205	100,308,057	21,013,510	17,407,280
Assigned	3,143,700	-	-	-
Unassigned	6,372,221	-	-	-
Total Fund Balances	11,592,042	100,313,135	21,013,510	17,407,280
Total Liabilities and Fund Balances	\$ 22,058,961	\$ 103,454,002	\$ 21,814,186	\$ 17,407,280

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	4,245,699	\$	158,748,379
	634,409		7,082,674
	11,261		3,503,751
	8,415		276,589
	46,503		69,323
\$	4,946,287	\$	169,680,716

\$	206,415	\$	9,379,729
	354,801		3,503,751
	21,220		2,107,418
	582,436		14,990,898
	54,918		420,912
	2,217,100		142,661,152
	2,091,833		5,235,533
	-		6,372,221
	4,363,851		154,689,818
\$	4,946,287	\$	169,680,716

REDWOOD CITY SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$154,689,818
Amounts reported for governmental activities in the statement of net position are different because of the following items:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities those costs are capitalized in the statement of net position as property and equipment. The cost is allocated over the estimated useful life of the asset as depreciation expense in the statement of activities.		
The cost of capital assets is	185,683,405	
Accumulated depreciation is	<u>(80,550,655)</u>	
Net capital assets		105,132,750
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid).		
		(477,859)
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.		
		(86,322,627)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		
		(2,151,396)
In the governmental funds, other postemployment benefit costs (OPEB) are based on employer contributions made to the plan 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 total OPEB liability during the year.		
		(30,413,332)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds and related premiums	(160,456,704)	
State school energy loan	(950,373)	
Capital lease payable	(2,160,631)	
Total Long-Term Obligations		<u>(163,567,708)</u>
Total Net Position - Governmental Activities		<u><u>\$ (23,110,354)</u></u>

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

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REDWOOD CITY SCHOOL DISTRICT

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

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
REVENUES				
Local control funding formula	\$ 76,719,315	\$ -	\$ -	\$ -
Federal sources	4,676,954	-	-	-
Other State sources	12,729,487	-	-	36,747
Other local sources	8,629,472	2,433,335	3,632,052	14,312,301
Total Revenues	102,755,228	2,433,335	3,632,052	14,349,048
EXPENDITURES				
Current				
Instruction	62,755,092	-	-	-
Instruction-related activities:				
Supervision of instruction	4,991,029	-	-	-
Instructional library, media and technology	2,777,672	-	-	-
School site administration	7,611,241	-	-	-
Pupil services:				
Home-to-school transportation	1,409,157	-	-	-
Food services	128	-	-	-
All other pupil services	4,559,845	-	-	-
Administration:				
Data processing	612,975	-	-	-
All other administration	4,418,037	-	-	-
Plant services	9,515,803	(107,658)	(9,404)	-
Community services	1,226,011	-	-	-
Other outgo	85,620	-	-	-
Capital outlays	1,246,167	17,212,145	597,952	-
Debt service:				
Principal	689,057	-	-	12,810,000
Interest and other	71,876	-	-	4,846,236
Total Expenditures	101,969,710	17,104,487	588,548	17,656,236
Excess (Deficiency) of Revenues Over Expenditures	785,518	(14,671,152)	3,043,504	(3,307,188)
Other Financing Sources (Uses)				
Transfers in	-	735,663	-	-
Transfers out	(4,426)	-	(840,366)	-
Net Financing Sources (Uses)	(4,426)	735,663	(840,366)	-
NET CHANGE IN FUND BALANCES	781,092	(13,935,489)	2,203,138	(3,307,188)
Fund Balance - Beginning	10,810,950	114,248,624	18,810,372	20,714,468
Fund Balance - Ending	\$ 11,592,042	\$ 100,313,135	\$ 21,013,510	\$ 17,407,280

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 76,719,315
3,330,170	8,007,124
4,821,371	17,587,605
2,251,482	31,258,642
<u>10,403,023</u>	<u>133,572,686</u>
4,368,371	67,123,463
61,927	5,052,956
-	2,777,672
456,964	8,068,205
-	1,409,157
4,791,884	4,792,012
-	4,559,845
-	612,975
485,794	4,903,831
148,424	9,547,165
-	1,226,011
-	85,620
-	19,056,264
-	13,499,057
-	4,918,112
<u>10,313,364</u>	<u>147,632,345</u>
<u>89,659</u>	<u>(14,059,659)</u>
109,129	844,792
-	(844,792)
<u>109,129</u>	<u>-</u>
198,788	(14,059,659)
4,165,063	168,749,477
<u>\$ 4,363,851</u>	<u>\$ 154,689,818</u>

REDWOOD CITY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Total Net Change in Fund Balances - Governmental Funds \$ (14,059,659)

Amounts reported for governmental activities in the statement of activities are different because of the following items:

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. The differences between depreciation and capital outlay is:

Depreciation expense	\$ (4,172,572)	
Capital outlay	19,056,264	14,883,692

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used. 57,264

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. (3,640,595)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plan 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 total OPEB liability during the year. (1,318,592)

Repayments of long-term debt obligations including general obligation bonds, state school building loans, capital lease and food program repayments are expenditures in the governmental funds, but the repayment reduces long-term obligations in the statement of net position and does not affect the statement of activities. 14,001,811

Interest on long-term debt in the statement of activities differs from the amount reported on the governmental funds. In governmental funds interest is recognized when it is due, while in the government-wide statement of activities interest is recognized when it accrues. (2,036,925)

Change in Net Position of Governmental Activities **\$ 7,886,996**

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

REDWOOD CITY SCHOOL DISTRICT

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

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 215,368
Total Assets	<u>\$ 215,368</u>
LIABILITIES	
Due to student groups	\$ 215,368
Total Liabilities	<u>\$ 215,368</u>

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

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Redwood City School District (District) was established in 1895 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 Preschool – 8, as mandated by state and/or federal agencies. The District operates 14 elementary and 2 middle schools.

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 Redwood City School District, this includes general operations, food service, and student related activities of the District.

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.

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

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

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

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Nonmajor Governmental Funds

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

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

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

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

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

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).

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. The District has only one fiduciary fund, which is an agency fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment for each governmental function. 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 is self-financing or draws from the general revenues of the District.

Net position is reported as restricted when constraints placed on net position use 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the 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 balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Revenues – Exchange and Non-Exchange Transactions Revenues 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. 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 restrictions. 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. Principal and interest on long-term obligations are recognized when due in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the debt issuance.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures over the benefiting period.

Stores Inventories

Stores inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental 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. 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.

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 capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; land improvements, 20 years; equipment, 5 to 15 years; vehicles, 8 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 activities columns of the statement of net position.

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations 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 governmental fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

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

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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 practice, only the chief business officer may assign amounts for specific purposes.

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Unassigned - all other spendable amounts. It is the District's practice to maintain an amount equal to at least 3 percent of General Fund annual expenditures and other financing uses for economic uncertainties and another 3 percent designated by the governing board for the same purpose.

Spending Order Policy

When an expenditure or expense 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 assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of the assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Net Position

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

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 in the financial statements. Interfund transfers are eliminated in the governmental activities column 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.

Budgetary Data

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

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Property Tax

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

Change in Accounting Principles

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

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

New Accounting Pronouncements

The GASB has issued the following accounting pronouncements that will become effective in future fiscal years:

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or FY 2019/2020. The District is evaluating the impact of this Statement on the financial statements.

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

GASB Statement No. 87 – In June 2017, 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 Statement is effective for the reporting periods beginning after December 15, 2019, or FY 2020/2021. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to (a) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. 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 the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 or FY 2020/2021. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 60*. The objectives of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 or FY 2019/2020. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District is evaluating the impact of this Statement on the financial statements.

The District has not determined the effect of these pronouncements.

REDWOOD CITY SCHOOL DISTRICT

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental funds	\$ 158,748,379
Fiduciary funds	215,368
Total deposits and investments	<u>\$ 158,963,747</u>

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

Cash on hand and in banks	\$ 687,129
Cash in revolving	75,000
Investments in the county pool	158,201,618
Total deposits and investments	<u>\$ 158,963,747</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.

REDWOOD CITY SCHOOL DISTRICT

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

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

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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rate. The District manages its exposure to interest rate risk by investing in the county pool and having the pool purchase 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. The weighted average maturity of the San Mateo County Investment Pool was 0.84 years in June 30, 2019.

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Mateo County Pool are not rated as of June 30, 2019.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data.

Uncategorized - Investments in the San Mateo County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

REDWOOD CITY SCHOOL DISTRICT

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest and other local sources.

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
Federal Government						
Categorical aid	\$ 2,159,920	\$ -	\$ -	\$ -	\$ 599,185	\$ 2,759,105
State Government						
Apportionment	217,209	-	-	-	-	217,209
Categorical aid	1,005,578	-	-	-	14,194	1,019,772
Lottery	375,774	-	-	-	-	375,774
Local Government						
Interest	63,641	630,537	121,849	92,229	21,030	929,286
Other local sources	1,767,053	-	14,475	-	-	1,781,528
Total	<u>\$ 5,589,175</u>	<u>\$ 630,537</u>	<u>\$ 136,324</u>	<u>\$ 92,229</u>	<u>\$ 634,409</u>	<u>\$ 7,082,674</u>

All receivables are considered collectible in full.

REDWOOD CITY SCHOOL DISTRICT

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

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,441,595	\$ -	\$ -	\$ 1,441,595
Construction in progress	11,352,375	18,365,483	-	29,717,858
Total capital assets not being depreciated	<u>12,793,970</u>	<u>18,365,483</u>	<u>-</u>	<u>31,159,453</u>
Capital assets being depreciated:				
Land improvements	14,767,830	-	-	14,767,830
Buildings and improvements	132,452,962	297,979	-	132,750,941
Furniture and equipment	6,612,379	392,802	-	7,005,181
Total capital assets being depreciated	<u>153,833,171</u>	<u>690,781</u>	<u>-</u>	<u>154,523,952</u>
Total capital assets	<u>166,627,141</u>	<u>19,056,264</u>	<u>-</u>	<u>185,683,405</u>
Less accumulated depreciation:				
Land improvements	10,965,168	701,293	-	11,666,461
Buildings and improvements	61,739,599	3,177,609	-	64,917,208
Furniture and equipment	3,673,316	293,670	-	3,966,986
Total accumulated depreciation	<u>76,378,083</u>	<u>4,172,572</u>	<u>-</u>	<u>80,550,655</u>
Governmental activities capital assets, net	<u>\$ 90,249,058</u>	<u>\$ 14,883,692</u>	<u>\$ -</u>	<u>\$105,132,750</u>

REDWOOD CITY SCHOOL DISTRICT

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

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities

Instruction	\$ 2,541,979
Supervision of instruction	191,356
Instructional library, media, and technology	105,191
School site administration	305,544
Home-to-school transportation	53,365
Food services	181,474
All other pupil services	172,682
Community services	46,429
All other general administration	185,709
Centralized data processing	23,213
Plant services	365,630
Total depreciation expenses governmental activities	<u><u>\$ 4,172,572</u></u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds, are as follows:

Payable from	Payable to				Total
	General Fund	Capital Facilities Fund	Building Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,400,000	\$ -	\$ -	\$ 2,400,000
Building Fund	4,073	7,892	-	242	12,207
Capital Facilities Fund	1,080	-	735,663	-	736,743
Nonmajor Governmental Funds	329,756	14,026	-	11,019	354,801
Total	<u><u>\$334,909</u></u>	<u><u>\$ 2,421,918</u></u>	<u><u>\$ 735,663</u></u>	<u><u>\$ 11,261</u></u>	<u><u>\$ 3,503,751</u></u>

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

REDWOOD CITY SCHOOL DISTRICT

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

Operating Transfers

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

Transfer from	Transfer to		
	Building Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 4,426	\$ 4,426
Capital Facility Fund	735,663	104,703	840,366
Total	<u>\$ 735,663</u>	<u>\$ 109,129</u>	<u>\$ 844,792</u>

The General Fund transferred to Cafeteria Fund for general operating services.	\$ 4,426
The Capital Facilities Fund transferred to the Deferred Maintenance Fund for maintenance projects.	104,703
The Capital Facilities Fund transferred funds to the Building Fund to fund capital projects.	735,663
Total	<u>\$ 844,792</u>

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total
Vendor payables	\$ 4,345,930	\$ 3,127,305	\$ 57,249	\$ 108,532	\$ 7,639,016
Salaries and benefits	1,634,791	1,354	6,685	97,883	1,740,713
Total	<u>\$ 5,980,721</u>	<u>\$ 3,128,659</u>	<u>\$ 63,934</u>	<u>\$ 206,415</u>	<u>\$ 9,379,729</u>

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Nonmajor Governmental Funds	Total
Federal financial assistance	\$ 18,598	\$ -	\$ 18,598
State categorical aid	702	-	702
Local sources	2,066,898	21,220	2,088,118
Total	<u>\$ 2,086,198</u>	<u>\$ 21,220</u>	<u>\$ 2,107,418</u>

REDWOOD CITY SCHOOL DISTRICT

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

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions/ Accretions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 161,219,542	\$ 1,772,663	\$ 12,810,000	\$ 150,182,205	\$ 13,030,000
Bond premiums	10,777,253	-	502,754	10,274,499	-
Subtotal	171,996,795	1,772,663	13,312,754	160,456,704	13,030,000
State school building loans	1,050,804	-	100,431	950,373	101,413
Accumulated vacation - net	535,123	178,374	235,638	477,859	159,286
Capital leases	2,306,717	-	146,086	2,160,631	157,996
Food program repayment	442,540	-	442,540	-	-
Total	<u>\$ 176,331,979</u>	<u>\$ 1,951,037</u>	<u>\$ 14,237,449</u>	<u>\$ 164,045,567</u>	<u>\$ 13,448,695</u>

Payments on the general obligation bonds are made from the Bond Interest and Redemption Bond Fund with local resources. Payments on the state school building loans, the food program repayments and capital leases payments are made by the General Fund. Accumulated vacation, other postemployment benefits, and net pension liabilities are paid by the funds for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2018	Issued/ Accretion	Redeemed	Outstanding June 30, 2019	
8/1/1997	8/1/2022	3.75-6.5%	\$ 7,506,203	\$ 23,474,542	\$ 1,772,663	\$ 4,775,000	\$ 20,472,205	
6/14/2012	2/1/2027	3.0-5.0%	\$ 18,545,000	17,545,000	-	1,035,000	16,510,000	
8/24/2016	8/1/2046	2.0-4.0%	\$ 60,000,000	53,200,000	-	7,000,000	46,200,000	
3/1/2018	8/1/2040	4.0-5.0%	\$ 67,000,000	67,000,000	-	-	67,000,000	
				<u>\$ 161,219,542</u>	<u>\$ 1,772,663</u>	<u>\$ 12,810,000</u>	<u>\$ 150,182,205</u>	

REDWOOD CITY SCHOOL DISTRICT

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

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 13,030,000	\$ 5,017,250	\$ 18,047,250
2021	10,875,000	4,756,675	15,631,675
2022	7,180,000	4,605,825	11,785,825
2023	7,650,000	4,528,825	12,178,825
2024	1,810,000	4,452,000	6,262,000
2025-2029	11,470,000	21,058,160	32,528,160
2030-2034	10,795,000	19,102,685	29,897,685
2035-2039	20,345,000	15,934,910	36,279,910
2040-2044	32,985,000	10,933,723	43,918,723
2045-2048	35,870,000	2,613,082	38,483,082
Subtotal	152,010,000	\$ 93,003,135	\$ 245,013,135
Remaining Accretion	(1,827,795)		
	\$ 150,182,205		

State and Public School Building Loans

State school building loans outstanding as of June 30, 2019, are as follows:

Year Disbursed	Interest Rate	Maturity Due	Balance June 30, 2018	Issued	Repayments	Outstanding June 30, 2019
2014	1%	June 22, 2028	\$ 1,050,804	\$ -	\$ 100,431	\$ 950,373

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 101,413	\$ 9,276	\$ 110,689
2021	102,454	8,235	110,689
2022	103,481	7,208	110,689
2023	104,519	6,170	110,689
2024	105,553	5,136	110,689
2025-2028	432,953	9,803	442,756
Subtotal	950,373	\$ 45,828	\$ 996,201

The State and public school building loans are secured by all sites purchased and improved, all equipment purchased, and all buildings constructed, reconstructed, altered, or added to through the expenditure of such funds in accordance with Section 16019 of the *Education Code*. Annual repayment is determined by the State Controller in accordance with Section 16214 of the *Education Code*.

REDWOOD CITY SCHOOL DISTRICT

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

Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	<u>Buildings</u>
Balance, July 1, 2018	\$ 2,306,717
Additions	-
Payments/deletions	146,086
Balance, June 30, 2019	<u>\$ 2,160,631</u>

The capital leases have minimum lease payments as follows:

<u>June 30,</u>	<u>Buildings</u>
2020	\$ 215,447
2021	223,483
2022	231,824
2023	240,480
2024	249,464
2025-2029	1,325,555
Total	<u>2,486,253</u>
Less: Amount Representing Interest	325,622
Present Value of Minimum Lease Payments	<u>\$ 2,160,631</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2019, include the following:

Buildings	\$ 3,312,154
Accumulated Depreciation	(828,039)
	<u>\$ 2,484,116</u>

REDWOOD CITY SCHOOL DISTRICT

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

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements on June 30, 2019:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Stores inventories	22,820	-	-	-	46,503	69,323
Prepaid expenditures	263,096	5,078	-	-	8,415	276,589
Total Nonspendable	<u>360,916</u>	<u>5,078</u>	<u>-</u>	<u>-</u>	<u>54,918</u>	<u>420,912</u>
Restricted						
Educational programs	1,715,205	-	-	-	93,275	1,808,480
Food program	-	-	-	-	2,123,825	2,123,825
Capital projects	-	100,308,057	21,013,510	-	-	121,321,567
Debt service	-	-	-	17,407,280	-	17,407,280
Total Restricted	<u>1,715,205</u>	<u>100,308,057</u>	<u>21,013,510</u>	<u>17,407,280</u>	<u>2,217,100</u>	<u>142,661,152</u>
Assigned						
Fiscal year 2019-20 budget deficit	2,672,385	-	-	-	-	2,672,385
Capital projects	-	-	-	-	2,083,373	2,083,373
Health care	250,000	-	-	-	-	250,000
Carryover of unspent funds	186,315	-	-	-	-	186,315
Substitute sick leave allocation	35,000	-	-	-	-	35,000
Child development	-	-	-	-	8,460	8,460
Total Assigned	<u>3,143,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,091,833</u>	<u>5,235,533</u>
Unassigned						
Reserved for economic uncertainties	6,118,448	-	-	-	-	6,118,448
Remaining unassigned	253,773	-	-	-	-	253,773
Total Unassigned	<u>6,372,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,372,221</u>
Total	<u>\$11,592,042</u>	<u>\$100,313,135</u>	<u>\$21,013,510</u>	<u>\$17,407,280</u>	<u>\$4,363,851</u>	<u>\$154,689,818</u>

REDWOOD CITY SCHOOL DISTRICT

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

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As of June 30, 2019, the District reported the following amounts for total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
<u>\$ 29,739,962</u>	<u>\$ 888,595</u>	<u>\$ (1,561,965)</u>	<u>\$ 2,207,187</u>

General Information About the OPEB Plan

Plan Description

The Retiree Health Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Redwood City School District. There are no assets accumulated in a trust that meet the criteria in paragraph 4 GASB Statement No. 75.

Benefits Provided

The District contributes to PEMHCA on behalf of each retiree eligible for PEMHCA. The contribution was and \$136/month for calendar 2019. The District has now participated in PEMHCA for over 20 years; therefore, the minimum contribution for retirees will be 100% of the minimum contribution for active employees for all future years.

Certificated employees who retired on or after July 1, 2007 and attain age 55 with at least 10 years of consecutive service are eligible to retire and receive an additional District contribution towards healthcare coverage up to the single-party medical cap, family dental and single-party vision. The medical cap is based on the least expensive medical plan offered. Medical, dental and vision caps are all updated for premium increases, if any, each year after retirement.

Classified employees who hired prior to July 1, 2012 and attain age 55 with at least 10 years of consecutive service (15 years for Classified Employees hired on or after July 1, 2012) are eligible to retire and receive an additional District contribution towards medical and dental coverage up to the single-party medical cap and family dental. The medical cap is based on the least expensive of the four most common HMOs in the year of retirement. Dental cap is updated for premium increases, if any, each year after retirement.

Management employees attain age 55 with at least 15 years of service are eligible to retire and receive an additional District contribution towards medical coverage up to the single-party medical cap and family dental. The medical cap is based on monthly allowance in the year of retirement. Dental cap is updated for premium increases, if any, each year after retirement.

REDWOOD CITY SCHOOL DISTRICT

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

When benefits end at age 65, the District contribution is limited to the PEMHCA statutory minimum (as increased with medical inflation) toward PEMHCA coverage only for the retiree's remaining lifetime. The District pays a 0.31%-of-premium administrative fee to CalPERS for each retiree (in addition to the statutory minimum contribution but included in the cap).

Employees Covered by Benefit Terms

As of the June 30, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	326
Active employees	<u>821</u>
	<u><u>1,147</u></u>

Total OPEB Liability

The District's total OPEB liability of \$29,739,962 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent, average, including inflation
Discount rate	3.62 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.00 percent for 2017; 5.00 percent for 2018 5.00 percent for 2019; 5.00 percent for 2020 and later years

The discount rate was based on the Municipal Bond 20 Year High Grade Rate Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

REDWOOD CITY SCHOOL DISTRICT

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017 measurement date	\$ 30,096,636
Changes for the year:	
Service cost	1,814,207
Interest	923,085
Changes of assumptions or other inputs	(1,874,358)
Benefit payments	(1,219,608)
Net changes	<u>(356,674)</u>
Balance at June 30, 2018 measurement date	<u>\$ 29,739,962</u>

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.62%)	\$ 33,768,915
Current discount rate (3.62%)	29,739,962
1% increase (4.62%)	26,418,887

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.00% decreasing to 4.00%)	\$ 25,770,212
Current healthcare cost trend rate (6.00% decreasing to 5.00%)	29,739,962
1% increase (7.00% decreasing to 6.00%)	34,657,613

REDWOOD CITY SCHOOL DISTRICT

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,207,187. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 888,595	\$ -
Changes of assumptions or other inputs	-	1,561,965
Total	<u>\$ 888,595</u>	<u>\$ 1,561,965</u>

Contributions paid subsequent to the measurement date will be recognized as part of the OPEB expense in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year End June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (312,393)
2021	(312,393)
2022	(312,393)
2023	(312,393)
2024	(312,393)
	<u>\$ (1,561,965)</u>

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with San Mateo County Schools Insurance Group (SMCIG) for property and liability insurance coverage. SMCIG is self-insured retention for up to \$250,000 per occurrence. SMCIG purchases coverage for liability insurance from CSAC Excess Insurance Authority (CSAL EIA) for claims in excess of \$250,000 and up to \$5 million. In addition, excess liability coverage is provided through Schools Excess Liability Fund (SELF) for claims in excess of \$5 million and up to \$55 million.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a reduction in coverage to date.

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Workers' Compensation

For fiscal year 2019, the District participated in the San Mateo County Schools Insurance Group, a workers' compensation insurance purchasing pool. Claims liability is covered by Protected Insurance Program for Schools (PIPS) with minimal individual liability to the District. The intent of the San Mateo County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the San Mateo County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the San Mateo County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the San Mateo County Schools Insurance Group.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflow of Resources</u>	<u>Collective Deferred Inflow of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 65,533,452	\$ 16,618,900	\$ 8,727,366	\$ 6,479,315
CalPERS	37,391,485	9,906,045	1,195,269	6,656,133
Total	<u>\$ 102,924,937</u>	<u>\$ 26,524,945</u>	<u>\$ 9,922,635</u>	<u>\$ 13,135,448</u>

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

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

Benefits Provided

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

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

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

REDWOOD CITY SCHOOL DISTRICT

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$6,146,112.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 65,533,452
State's proportionate share of the net pension liability associated with the District	37,520,966
Total	<u>\$ 103,054,418</u>

REDWOOD CITY SCHOOL DISTRICT

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

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0713 percent and 0.0732 percent, resulting in a net decrease in the proportionate share of 0.0019 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$6,479,315. In addition, the District recognized pension expense and revenue of \$4,407,867 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,146,112	\$ -
Net change in proportionate share of net pension liability	88,773	5,252,004
Differences between projected and actual earnings on pension plan investments	-	2,523,453
Differences between expected and actual experience in the measurement of the total pension liability	203,217	951,909
Changes of assumption	<u>10,180,798</u>	<u>-</u>
Total	<u>\$ 16,618,900</u>	<u>\$ 8,727,366</u>

REDWOOD CITY SCHOOL DISTRICT

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of \$6,146,112 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The remaining deferred outflows/(inflows) of resources will be amortized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,238,723
2021	293,231
2022	(1,426,267)
2023	238,570
2024	1,620,695
Thereafter	(219,530)
Total	<u>\$ 1,745,422</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.00%
Consumer price inflation	2.75%
Wage growth	3.50%

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

REDWOOD CITY SCHOOL DISTRICT

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 95,998,838
Current discount rate (7.10%)	65,533,452
1% increase (8.10%)	40,274,690

REDWOOD CITY SCHOOL DISTRICT

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

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report) and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

REDWOOD CITY SCHOOL DISTRICT

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$3,348,741.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$37,391,485. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1402 percent and 0.1469 percent, resulting in a net decrease in the proportionate share of 0.0067 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$6,656,133. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,348,741	\$ -
Net change in proportionate share of net pension liability	65,987	1,195,269
Difference between projected and actual earnings on pension plan investments	306,693	-
Differences between expected and actual experience in the measurement of the total pension liability	2,451,249	-
Changes of assumptions	3,733,375	-
Total	<u>\$ 9,906,045</u>	<u>\$ 1,195,269</u>

REDWOOD CITY SCHOOL DISTRICT

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The remaining deferred outflows/(inflows) of resources will be amortized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,599,572
2021	2,377,651
2022	(394,488)
2023	(220,700)
Total	<u>\$ 5,362,035</u>

Actuarial Methods and Assumptions

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

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

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

REDWOOD CITY SCHOOL DISTRICT

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 41,323,794
Current discount rate (7.15%)	37,391,485
1% increase (8.15%)	16,349,663

REDWOOD CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ending June 30, 2019 and was in the amount of \$5,981,925. The June 30, 2019 rate was 9.828 percent of the second previous annual compensation. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as state revenues and employer pension expenditures. Accordingly, these amounts have been recorded in these financial statements.

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Mateo County Schools Insurance Group (SMCSIG) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its dental, vision, workers' compensation, and property liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes. SMCSIG has budgeting and financial reporting requirements of member units and its financial statements are not presented in these financial statements; however, transactions between SMCSIG and the District are included in these statements. Audited financial statements are available from the entity. During the year ended June 30, 2019, the District made payments of \$2.1 million to SMCSIG JPA for workers' compensation premiums and \$1.5 million for dental and vision premiums.

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD CITY SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Local control funding formula	\$ 76,330,515	\$ 76,612,140	\$ 76,719,315	\$ 107,175
Federal sources	4,113,706	4,802,018	4,676,954	(125,064)
Other state sources	8,304,892	12,286,133	12,729,487	443,354
Other local sources	8,889,760	9,477,344	8,629,472	(847,872)
Total Revenues	97,638,873	103,177,635	102,755,228	(422,407)
EXPENDITURES				
Current				
Certificated salaries	39,116,464	38,125,883	38,123,187	2,696
Classified salaries	16,907,124	16,701,519	16,221,059	480,460
Employee benefits	24,565,190	28,589,166	27,657,419	931,747
Books and supplies	2,279,305	3,600,136	2,301,796	1,298,340
Services and operating expenditures	14,415,930	17,987,231	15,465,904	2,521,327
Other outgo	164,536	164,536	85,620	78,916
Capital outlay	1,753,226	1,356,852	1,353,792	3,060
Debt service - principal	689,057	689,057	689,057	-
Debt service - interest	71,876	71,876	71,876	-
Total Expenditures	99,962,708	107,286,256	101,969,710	5,316,546
Excess (Deficiency) of Revenues				
Over Expenditures	(2,323,835)	(4,108,621)	785,518	4,894,139
Other Financing Sources (Uses):				
Transfers out	(446,966)	(446,966)	(4,426)	442,540
Net Financing Sources (Uses)	(446,966)	(446,966)	(4,426)	442,540
NET CHANGE IN FUND BALANCES	(2,770,801)	(4,555,587)	781,092	5,336,679
Fund Balance - Beginning	10,810,950	10,810,950	10,810,950	-
Fund Balance - Ending	\$ 8,040,149	\$ 6,255,363	\$ 11,592,042	\$ 5,336,679

See accompanying note to required supplementary information.

REDWOOD CITY SCHOOL DISTRICT

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

	2019	2018
Total OPEB Liability		
Service cost	\$ 1,814,207	\$ 1,759,146
Interest	923,085	876,477
Changes of assumptions	(1,874,358)	-
Benefit payments	(1,219,608)	(1,074,610)
Net change in total OPEB liability	(356,674)	1,561,013
Total OPEB liability - beginning	30,096,636	28,535,623
Total OPEB liability - ending	\$ 29,739,962	\$ 30,096,636
Covered-employee payroll	\$ 59,365,446	\$ 61,521,852
Total OPEB liability as a percentage of covered-employee payroll	50.10%	48.92%
Measurement date	June 30, 2018	June 30, 2017

Note: Until the full ten year trend is compiled, information is presented only for those years *which information is available*.

See accompanying note to required supplementary information.

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REDWOOD CITY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

MEASUREMENT DATE, JUNE 30,	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0713%	0.0732%
District's proportionate share of the net pension liability	\$ 65,533,452	\$ 67,660,293
State's proportionate share of the net pension liability associated with the District	37,520,966	40,027,258
Total	<u>\$ 103,054,418</u>	<u>\$ 107,687,551</u>
District's covered payroll	<u>\$ 37,157,034</u>	<u>\$ 38,775,429</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>176.37%</u>	<u>174.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	0.1402%	0.1469%
District's proportionate share of the net pension liability	\$ 37,391,485	\$ 35,065,496
District's covered payroll	<u>\$ 18,546,191</u>	<u>\$ 18,730,825</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>201.61%</u>	<u>187.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>0.0753%</u>	<u>0.0820%</u>	<u>0.0817%</u>
<u>\$ 60,926,858</u>	<u>\$ 55,191,692</u>	<u>\$ 47,739,990</u>
<u>34,684,573</u>	<u>29,190,321</u>	<u>28,827,467</u>
<u>\$ 95,611,431</u>	<u>\$ 84,382,013</u>	<u>\$ 76,567,457</u>
<u>\$ 37,541,855</u>	<u>\$ 37,677,883</u>	<u>\$ 36,659,641</u>
<u>162.29%</u>	<u>146.48%</u>	<u>130.22%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1501%</u>	<u>0.1482%</u>	<u>0.1455%</u>
<u>\$ 29,643,117</u>	<u>\$ 21,848,267</u>	<u>\$ 16,515,190</u>
<u>\$ 18,006,500</u>	<u>\$ 16,302,064</u>	<u>\$ 15,212,767</u>
<u>164.62%</u>	<u>134.02%</u>	<u>108.56%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

REDWOOD CITY SCHOOL DISTRICT

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

FISCAL YEAR END, JUNE 30,	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 6,146,112	\$ 5,361,760
Contributions in relation to the contractually required contribution	<u>(6,146,112)</u>	<u>(5,361,760)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 37,893,326</u>	<u>\$ 37,157,034</u>
Contributions as a percentage of covered payroll	<u>16.22%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 3,348,741	\$ 2,880,409
Contributions in relation to the contractually required contribution	<u>(3,348,741)</u>	<u>(2,880,409)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 18,605,113</u>	<u>\$ 18,546,191</u>
Contributions as a percentage of covered payroll	<u>18.00%</u>	<u>15.53%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 4,877,949	\$ 4,028,241	\$ 3,345,796
<u>(4,877,949)</u>	<u>(4,028,241)</u>	<u>(3,345,796)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 38,775,429	\$ 37,541,855	\$ 37,677,883
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 2,601,337	\$ 2,133,230	\$ 1,918,916
<u>(2,601,337)</u>	<u>(2,133,230)</u>	<u>(1,918,916)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,730,825	\$ 18,006,500	\$ 16,302,064
<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

REDWOOD CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations. Budget is adopted on a basis consistent with Generally Accepted Accounting Principles.

Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

This schedule presents information on the District's Total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes of Assumptions – The discount rate was changed as of the 2018 measurement date to 3.62 from 3.13 (as of the 2017 measurement date).

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

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

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

Schedule of District Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

REDWOOD CITY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education:			
Migrant Education State Grant Program - Regular	84.011	14326	\$ 126,752
Migrant Education State Grant Program - Summer	84.011	10005	21,321
Subtotal			<u>148,073</u>
English Language Acquisition State Grants - Immigrant	84.365	15146	1,360
English Language Acquisition State Grants - LEP	84.365	14346	313,005
Subtotal			<u>314,365</u>
Title I Grants to Local Educational Agencies	84.010	14329	1,489,680
Supporting Effective Instruction State Grants	84.367	14341	233,268
Twenty-First Century Community Learning Centers	84.287	14349	354,786
Student Support and Academic Enrichment Program	84.424	15396	10,879
Special Education Cluster:			
Special Education Grants to States - Basic	84.027	13379	1,685,027
Special Education Preschool Grants	84.173	13430	66,498
Total Special Education Cluster			<u>1,751,525</u>
Total U.S. Department of Education			<u>4,302,576</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Care Services:			
Medicaid Cluster:			
Medical Assistance Program - Billing Option	93.778	10013	167,374
Medical Assistance Program - Administration	93.778	10060	207,005
Total Medicaid Cluster			<u>374,379</u>
Total U.S. Department Of Health and Human Services			<u>374,379</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

REDWOOD CITY SCHOOL DISTRICT

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

U.S. DEPARTMENT OF AGRICULTURE

Passed through California Department of Agriculture:

Child Nutrition Cluster

National School Lunch Program	10.555	13391	2,195,485
School Breakfast Program - Needy	10.553	13526	856,968
School Breakfast Program - Basic	10.553	13525	24,296
National School Lunch Program - Meal Supplements	10.555	13524	154,176
National School Lunch Program - Commodities ¹	10.555	13396	<u>150,310</u>
Total Child Nutrition Cluster			<u>3,381,235</u>
Child and Adult Care Food Program	10.558	13393	<u>212,270</u>
Total U.S. Department of Agriculture			<u>3,593,505</u>

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Passed through Silicon Valley Community Foundation:

Social Innovation Fund	94.019	N/A	<u>(113,024)</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,157,436</u></u>

[1] Amount not included in the financial statements.

See accompanying note to the Schedule of Expenditures of Federal Awards.

REDWOOD CITY SCHOOL DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The Redwood City School District was established in 1895 and consists of an area comprising approximately 19 square miles. The District operates 14 elementary schools and 2 middle schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dennis McBride	President	2020
Janet Lawson	Vice President	2020
Alisa Greene MacAvoy	Clerk	2020
Maria Diaz-Slocum	Trustee Representative to the San Mateo County Committee on School District Organization	2022
Cecilia Marquez	Legislative Network Member	2022

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
John R. Baker, Ed. D.	Superintendent
Wendy Kelly	Assistant Superintendent, Human Resources and Educational Services 6-8
Linda Montes, Ed. D.	Assistant Superintendent, Executive Director of Educational Services K-5 and Director of English Learner Services
Priscilla Aquino-Dichoso	Chief Business Official

REDWOOD CITY SCHOOL DISTRICT

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

	Second Period Report	Annual Report
Regular Average Daily Attendance (ADA)		
Transitional kindergarten through third	3,198.73	3,190.89
Fourth through sixth	2,316.40	2,314.02
Seventh and eighth	1,699.10	1,695.69
Total Regular ADA	<u>7,214.23</u>	<u>7,200.60</u>
Extended Year Special Education		
Transitional kindergarten through third	9.60	9.60
Fourth through sixth	6.97	6.97
Seventh and eighth	4.37	4.37
Total Extended Year	<u>20.94</u>	<u>20.94</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.68	2.72
Fourth through sixth	4.13	4.08
Seventh and eighth	7.20	6.92
Total Special Education,	<u>14.01</u>	<u>13.72</u>
Extended Year, Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.29	0.29
Fourth through sixth	0.41	0.41
Seventh and eighth	1.10	1.10
Total Special Education,	<u>1.80</u>	<u>1.80</u>
Total ADA	<u><u>7,250.98</u></u>	<u><u>7,237.06</u></u>

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,900	180	Complied
Grade 1 - 3				
Grade 1	50,400	50,684	180	Complied
Grade 2	50,400	50,684	180	Complied
Grade 3	50,400	50,684	180	Complied
Grade 4 - 6				
Grade 4	54,000	54,015	180	Complied
Grade 5	54,000	54,015	180	Complied
Grade 6	54,000	54,330	180	Complied
Grade 7 - 8				
Grade 7	54,000	54,330	180	Complied
Grade 8	54,000	54,330	180	Complied

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

No adjustments were necessary to reconcile the unaudited actual financial report and the audited financial statements.

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

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

	2020 ¹	2019	2018	2017
GENERAL FUND				
Total Revenues	\$ 96,317,636	\$ 102,755,228	\$ 98,716,829	\$ 98,156,030
Other sources and transfers in	2,400,000	-	-	-
Total revenues and other sources	98,717,636	102,755,228	98,716,829	98,156,030
Expenditures	102,546,435	101,969,710	99,195,046	97,315,051
Other uses and transfers out	-	4,426	8,807	547,617
Total expenditures and other uses	102,546,435	101,974,136	99,203,853	97,862,668
CHANGE IN FUND BALANCE	(3,828,799)	781,092	(487,024)	293,362
ENDING FUND BALANCE	\$ (3,241,369)	\$ 587,430	\$ (193,662)	\$ 293,362
AVAILABLE RESERVES ²	\$ 4,678,557	\$ 6,372,221	\$ 7,490,888	\$ 7,430,372
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	4.56%	6.25%	7.55%	7.59%
LONG-TERM COMMITMENTS				
Bonded debt	\$ 147,426,704	\$ 160,456,704	\$ 171,996,795	\$ 112,169,517
Direct district obligations				
Net pension liability	102,924,937	102,924,937	102,725,789	90,569,975
Total OPEB liability	29,739,962	29,739,962	30,096,636	28,535,623
Other	3,588,863	3,588,863	4,335,184	4,982,439
Total direct district obligations	136,253,762	136,253,762	137,157,609	124,088,037
TOTAL LONG-TERM COMMITMENTS	\$ 283,680,466	\$ 296,710,466	\$ 309,154,404	\$ 236,257,554
K-8 AVERAGE DAILY ATTENDANCE AT P-2				
	7,138	7,251	7,415	7,632

The general fund balance has increased by \$294,068 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$3,828,799. For a district this size, the state recommends available reserves of at least three percent of total general fund expenditures, transfers out, and other uses (total outgo). The District anticipates an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by \$60,452,912 over the past two years due mostly to general obligation bonds and pensions.

Average daily attendance has decreased by 381 over the past two years. A decrease of 113 ADA is anticipated during fiscal year 2019-20 due mostly to anticipated changes related to the changes in charter schools and declining enrollment.

¹ Budget 2020 is included for analytical purposes only and has not been subjected to audit.

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

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Charter #</u>	<u>Name of Charter School</u>	<u>Included in Audit Report</u>
1498	Connect Community Charter School	No
1735	KIPP Excelencia Community Preparatory	No
1736	Rocketship Redwood City	No

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Capital Outlay Fund	Total Nonmajor Funds
ASSETS					
Deposits and investments	\$ 230,986	\$ 1,929,487	\$ 14,165	\$ 2,071,061	\$ 4,245,699
Receivables	15,552	606,545	-	12,312	634,409
Due from other funds	-	11,019	242	-	11,261
Prepaid expenses	5,978	2,437	-	-	8,415
Stores inventories	-	46,503	-	-	46,503
Total Assets	\$ 252,516	\$ 2,595,991	\$ 14,407	\$ 2,083,373	\$ 4,946,287
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 40,615	\$ 165,419	\$ 381	\$ -	\$ 206,415
Due to other funds	83,941	256,834	14,026	-	354,801
Unearned revenue	20,247	973	-	-	21,220
Total Liabilities	144,803	423,226	14,407	-	582,436
Fund Balances:					
Nonspendable	5,978	48,940	-	-	54,918
Restricted	93,275	2,123,825	-	-	2,217,100
Assigned	8,460	-	-	2,083,373	2,091,833
Total Fund Balances	107,713	2,172,765	-	2,083,373	4,363,851
Total Liabilities and Fund Balances	\$ 252,516	\$ 2,595,991	\$ 14,407	\$ 2,083,373	\$ 4,946,287

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Capital Outlay Fund	Total Nonmajor Funds
REVENUES					
Federal sources	\$ (113,024)	\$ 3,443,194	\$ -	\$ -	\$ 3,330,170
Other State sources	4,562,346	259,025	-	-	4,821,371
Other local sources	908,738	1,298,387	(957)	45,314	2,251,482
Total Revenues	5,358,060	5,000,606	(957)	45,314	10,403,023
EXPENDITURES					
Current					
Instruction	4,368,371	-	-	-	4,368,371
Instruction-related activities:					
Supervision of instruction	61,927	-	-	-	61,927
School site administration	456,964	-	-	-	456,964
Pupil services:					
Food services	68,385	4,723,499	-	-	4,791,884
Administration:					
All other administration	253,957	231,837	-	-	485,794
Plant services	44,678	-	103,746	-	148,424
Total Expenditures	5,254,282	4,955,336	103,746	-	10,313,364
Excess (Deficiency) of Revenues Over Expenditures	103,778	45,270	(104,703)	45,314	89,659
Other Financing Sources (Uses)					
Transfers in	-	4,426	104,703	-	109,129
Net Financing Sources (Uses)	-	4,426	104,703	-	109,129
NET CHANGE IN FUND BALANCES	103,778	49,696	-	45,314	198,788
Fund Balance - Beginning	3,935	2,123,069	-	2,038,059	4,165,063
Fund Balance - Ending	\$ 107,713	\$ 2,172,765	\$ -	\$ 2,083,373	\$ 4,363,851

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciled amount is the fair market commodities for NSLP that is not recorded as revenues or expenditures by the District.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total federal revenues reported on the statement of revenues, expenditures and changes in fund balance:		\$ 8,007,124
Commodities are not reported on the financial statements	10.555	<u>150,310</u>
Total expenditures reported on the schedule of expenditures of federal awards		<u>\$ 8,157,434</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

REDWOOD CITY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION, (Continued) JUNE 30, 2019

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Non-Major Governmental Funds – Balances Sheet and Statements of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board
Redwood City School District
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood City School District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and date.

Palo Alto, California
December 13, 2019



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

Governing Board
Redwood City School District
Redwood City, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Palo Alto, California
December 13, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Redwood City School District
Redwood City, California

Report on State Compliance

We have audited Redwood City School District's (District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion on Classroom Teacher Salaries

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Classroom Teacher Salaries as described in item 2019-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Classroom Teacher Salaries for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the District’s other programs noted below that were audited for the year ended June 30, 2019.

Other Matters

Redwood City School District’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs as item 2019-002. The District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools or Middle or Early College High Schools; therefore, we did not perform any procedures related to Juvenile Court Schools or Middle or Early College High Schools.

The District did not offer an apprenticeship program; therefore, we did not perform any such procedures.

The District is not a District of Choice; therefore, we did not perform any such procedures.

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

The District does not offer course based independent study, therefore, we did not perform any procedures related to the course based independent study program.

The Charter Schools are independent of the District; therefore, we did not perform any procedures related to charter schools.



Palo Alto, California
December 13, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

REDWOOD CITY SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:
Unmodified for all programs except for the following programs which were modified:

<u>Name of Program</u>
<u>Classroom Teacher Salaries</u>

REDWOOD CITY SCHOOL DISTRICT

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

None Reported.

**REDWOOD CITY SCHOOL DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None Reported.

REDWOOD CITY SCHOOL DISTRICT

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

The following finding represent instances of noncompliance relating to state program laws and regulations.

2019-001 CLASSROOM TEACHER SALARIES
Code 4000, 61000

Criteria or Specific Requirements

Education Code Section 41372 indicates that:

There shall be expended during each fiscal year for payment of salaries of classroom teachers for an elementary school district, 60 percent of the district's current expense of education.

Condition

The District did not spend the minimum percentage of its budget on classroom teacher salaries.

Questioned Costs

There are no questioned costs associated with this finding.

Context

The District spent 58.07% of its expenditures on the current expense of education, but was required to spend 60%, creating a shortage of 1.93%. Current expense of education of \$89,033,147 times the percent short of 1.93% equals \$1,718,340.

Effect

The District is not in compliance with *Education Code* Section 41372, requiring a minimum threshold of expenditures on costs of education for classrooms.

Cause

The primary reason that RCSD was not meeting the minimum classroom compensation requirement was the impact of the implementation of the Local Control Funding Formula (LCFF) in 2013-14 where over 40 categorical programs were folded into the LCFF funding and categorized the funding as unrestricted funds. Subsequently, the State implemented the Local Control Accountability Plans (LCAP) which required the use of the Supplemental and Concentration grant funds to be principally directed for the educational needs of low income, English learners and foster youth (unduplicated pupils) and not necessarily for general education classroom compensation.

Recommendation

We recommend the District continue to consider the requirements of *Education Code* Section 41372 when budgeting and planning for District operations and consider any implications of needing to meet the requirement, or requesting a waiver when not met.

Corrective Action Plan/Views of Responsive District Officials

The District has filed a request for waiver of the minimum classroom compensation requirement with the San Mateo County Office of Education (SMCOE) due to serious financial hardship.

REDWOOD CITY SCHOOL DISTRICT

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

RCSD has a significant operating deficit and continues to experience declining enrollment, increased costs due to employer contributions to STRS/PERS, and other operating expenditure increases. RCSD also has the highest unduplicated pupil counts among the San Mateo County school districts. The waiver application was approved by the District Board at the September 25, 2019 Board Meeting and was submitted to the San Mateo County Office of Education on September 25, 2019.

REDWOOD CITY SCHOOL DISTRICT

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

Summarized below is the current status of all audit findings reported in the prior year schedule of findings.

2018-001 STATE COMPLIANCE RELATING TO CLASSROOM TEACHER SALARIES

Finding

The District did not spend the minimum percentage of its budget on classroom teacher salaries as required by EC Section 41372, for the year ending June 30, 2018.

Current Status

See 2019-001.