Financial Report and Performance Audit Report
2015 Measure T Fund
June 30, 2019

Redwood City School District

Financial Report
2015 Measure T Fund
June 30, 2019

Redwood City School District

REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

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INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens Oversight Committee
Redwood City School District
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Redwood City School District's (District), 2015 Measure T Fund (Bond Fund), as of and for the year ended June 30, 2019, and the related notes to the 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 statement 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. 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 principles 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 opinion.

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Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Bond Fund as of June 30, 2019, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Fund specific to Measure T and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

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 Bond Fund'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 Bond Fund'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* and should be considered with the results of our audit.



Palo Alto, California
December 13, 2019

REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

BALANCE SHEET
JUNE 30, 2019

ASSETS	
Deposits and investments	$ 102,082,724
Interest receivable	630,537
Due from other funds	735,663
Prepaid expenses	5,078
Total Assets	$ 103,454,002
LIABILITIES AND FUND BALANCE	
Liabilities	
Vendor and other payables	$ 3,128,659
Due to other funds	12,208
Total Liabilities	3,140,867
Fund Balance	
Nonspendable for prepaid expenses	5,078
Restricted for capital projects	100,308,057
Total Fund Balance	100,313,135
Total Liabilities and Fund Balance	$ 103,454,002

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

REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES	
Interest income	$ 2,433,335
EXPENDITURES	
Current	
Salaries and benefits	269,744
Services and other expenditures	1,487,320
Capital outlay	15,347,423
Total Expenditures	17,104,487
Excess of expenditures over revenues	(14,671,152)
OTHER SOURCES	
Transfers in	735,663
Net change in fund balance	(13,935,489)
FUND BALANCE - BEGINNING	114,248,624
FUND BALANCE - ENDING	$ 100,313,135

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Redwood City School District's (District) 2015 Measure T Fund (Bond Fund) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity

The financial statements include only the Bond Fund used to account for 2015 Measure T projects. This Bond Fund was established to account for the expenditures of general obligation bonds issued under the general obligation bonds election of 2015. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is $193,000,000. The schedule below summarizes the bond issuances to date:

Issue Date	Series	Issued Amount
2017	Series 2016	$ 60,000,000
2018	Series 2018	67,000,000
		$ 127,000,000

Fund Accounting

The operations of the Bond Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Bond Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30 since they do not constitute expenditures or liabilities.

Fund Balance

As of June 30, 2019, the fund balance is classified as follows:

Nonspendable - amounts that cannot be spent either because they are in non-spendable 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. The June 30, 2019 fund balance is restricted to expenditures authorized by the Measure T project listing.

Spending Order Policy

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

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

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

General Authorizations

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

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

Interest Rate Risk

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 Bond Fund manages its exposure to interest rate risk by investing in the San Mateo County Pool. The weighted average maturity of the San Mateo County Investment Pool was 0.84 years on 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 Pool are not measured using the input levels above because the 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.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Litigation

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

INDEPENDENT AUDITOR'S REPORT

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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 and
Citizens Oversight Committee
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 accompanying financial statements of the Redwood City School District's (District) 2015 Measure T Fund (Bond Fund), as of and for the year ended June 30, 2019, and the related notes of the financial statements, and have issued our report thereon dated December 13, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Fund, and are not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bond Fund'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 Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or material weaknesses. 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.

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Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Palo Alto, California
December 13, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019

None reported.

REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

There were no audit findings reported in the prior year's schedule of financial statement findings.

Performance Audit
2015 Measure T Fund
June 30, 2019

Redwood City School District

REDWOOD CITY HIGH SCHOOL DISTRICT
2015 MEASURE T FUND

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Governing Board and
Citizens Oversight Committee
Redwood City School District
Redwood City, California

We were engaged to conduct a performance audit of the Redwood City School District's (District) 2015 Measure T Fund (Bond Fund) for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Bond Fund's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1 (b)(3)(C) of the California Constitution but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

AUTHORITY FOR ISSUANCE

The Measure T Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the *California Education* Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Redwood City School District electorate.

The District received authorization at an election held on November 3, 2015, to issue bonds of the District in an aggregate principal amount not to exceed $193,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District.

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REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

JUNE 30, 2019

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which includes repair, construction, and replacement of school classrooms and facilities.

"To upgrade and repair neighborhood schools with funding that cannot be taken by the State, shall Redwood City Elementary School District: renovate aging classrooms and science labs for 21st century learning; fix or replace deteriorating roofs; update classroom and instructional technology; improve school fire and earthquake safety; and repair, construct, acquire or equip classrooms, sites and facilities, by issuing $193 million in bonds at legal rates, with independent oversight, no money for administrators, and all funds staying local?".

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the school district to appoint a citizen's oversight committee.

4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Bond Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure T.

2. Determine whether salary transactions, charged to the Bond Fund were in support of Measure T and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all object and project codes associated with Measure T projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

For purposes of the internal control procedures, deficiencies are defined as follows:

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a program such that there is more than a remote likelihood that noncompliance with a compliance requirement of the program that is more than inconsequential, will not be prevented or detected by the existing internal control policies and procedures.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with a compliance requirement of a program, that is material to the program’s financial statements, will not be prevented or detected by the existing internal control policies and procedures.

REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

JUNE 30, 2019

METHODOLOGY

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019 for the Measure T Bond Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure T as to the approved bond projects list. We performed the following procedures:

1. Obtain the Bond Fund expenditure detail reports prepared by the District and agree amounts to the general ledger.

2. We analytically reviewed the entire population of expenditure accounting records to search for transactions outside the scope allowable expenditures. Individual transactions were selected for additional audit analysis, which includes reviewing source documents such as invoices, contracts, purchase orders, or payroll records. Subjected to the additional audit analysis were 27 individual vendor transactions aggregating $15.8 million, payroll transactions of $190 thousand or 94% of total expenditures.

3. Examined supporting documentation to ensure that proceeds from the sale of bonds and any interest earned on the proceeds were correctly deposited into the accounting records of the Bond Fund.

CONCLUSION

1. No exceptions were identified from applying this procedure. The Bond Fund accounting records are complete and include all activity during the fiscal year.

2. The examined transactions comply with the intended use of bond proceeds. The results of our tests indicate that, in all significant respects, the District has properly accounted for the expenditures held in the Measure T Bond Fund and that such expenditures were made for authorized Bond projects.

3. No exceptions were identified from applying this procedure.

This report is intended solely for the information and use of the governing board, the Citizen's Bond Oversight Committee and management of the District, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of the report, which is a matter of public record.

Eide Bailly LLP

Palo Alto, California
December 13, 2019

REDWOOD CITY SCHOOL DISTRICT
2015 MEASURE T FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

None reported.