REDWOOD CITY
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2018

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REDWOOD CITY SCHOOL DISTRICT

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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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 Redwood City School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 11 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

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 13, budgetary comparison schedule on page 60, schedule of changes in the District's total OPEB liability and related ratios on page 61, schedule of the District's proportionate share of the net pension liability on pages 62 through 63, and the schedule of District contributions on pages 64 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.

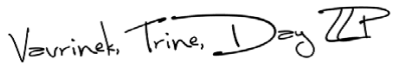
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redwood City School 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 14, 2018, on our consideration of the Redwood City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Redwood City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redwood City School District's internal control over financial reporting and compliance.



Palo Alto, California
December 14, 2018

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, 2018. 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 Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in 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 a section of required supplementary budget 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 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.

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 on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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 $(31) million for the fiscal year ended June 30, 2018. Of this amount, ($104) 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	
	2018	2017
Assets		
Current and other assets	$ 179,946	$ 113,241
Capital assets	90,249	82,769
Total Assets	**270,195**	**196,010**
Deferred Outflows	**29,878**	**18,664**
Liabilities		
Current liabilities	27,608	19,020
Long-term obligations	294,630	209,117
Total Liabilities	**322,238**	**228,137**
Deferred Inflows	**8,832**	**6,833**
Net Position		
Net investment in capital assets	29,143	24,161
Restricted	42,010	36,414
Unrestricted	(102,149)	(80,871)
Total Net Position	**$ (30,996)**	**$ (20,296)**

The ($104) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and includes $103 million of unfunded pension liabilities and $30 million of unfunded other post employment benefits liabilities.

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	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 2,256	$ 917
Operating grants and contributions	29,163	26,957
General revenues:		
Federal and State aid not restricted to specific purposes	41,262	37,175
Property taxes	54,697	59,521
Other general revenues	1,125	719
Total Revenues	**128,503**	**125,289**
Expenses		
Instruction and instruction-related	89,444	86,551
Student support services	11,116	9,693
Administration	5,924	5,777
Maintenance and operations	9,604	9,880
Other	6,641	6,713
Total Expenses	**122,729**	**118,614**
Change in Net Position	**$ 5,774**	**$ 6,675**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of District's governmental activities this year was $123 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 ($2 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 $41 million in Federal and State funds and $1 million with other revenues, like interest and general entitlements.

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	
	2018	2017	2018	2017
Instruction	$ 73,372	$ 71,251	$ 58,829	$ 57,286
Instruction-related	16,071	15,300	14,037	13,047
Pupil Services	11,116	11,109	5,975	4,713
Administration	5,924	5,920	5,230	5,195
Plant Services	9,604	9,598	9,453	9,829
Other	6,641	5,739	(2,216)	670
Totals	**$ 122,728**	**$ 118,917**	**$ 91,308**	**$ 90,740**

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of $169 million, which is an increase of $64 million from last year (Table 4).

Table 4

(Amounts in thousands)	Fund Balance	
	2018	2017
General	$ 10,811	$ 11,298
Child Development	4	-
Cafeteria	2,123	2,002
Building	114,249	57,152
Capital Facilities	18,810	15,132
Special Reserve for Capital Outlay Projects	2,038	2,010
Bond Interest and Redemption	20,714	17,431
Totals	**$ 168,749**	**$ 105,025**

The primary reasons for these changes are:

a) The Building Fund increased by $57 million due to the issuance of Measure T general obligation bonds.
b) The Capital Facilities fund balance has increased by $4 million due to increases in developer fees and receipt of RDA funds.
c) The Bond Interest and Redemption Fund balance has increased by $3 million due to bond premiums and increased collections.

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 2018. (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 60).

Changes between our 2017-18 original and final budgets were as follows:

a) Budgeted revenues increased by $7 million due to the following:
   1. Fund changes due to increases of Local Control Funding Formula, Clean Energy Jobs Act funding, and One-Time Discretionary funds.

b) Budgeted expenditures increased by $5 million due to the following:
   1. Services and operating expenditures in the final budget were higher than expected, significantly in Special Education costs where contracted services were used to fill positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $90 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	
	2018	2017
Land and construction in progress	$ 12,794	$ 4,535
Buildings and improvements	74,516	75,334
Equipment	2,939	2,900
Totals	**$ 90,249**	**$ 82,769**

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

Long-Term Obligations

At the end of this year, the District had $309 million in long-term obligations versus $236 million last year, an increase of $73 million or 31 percent. Long-term obligations consisted of:

Table 6

(Amounts in thousands)	Governmental Activities	
	2018	2017
General obligation bonds (financed with property taxes)	$ 171,997	$ 112,170
State school building loans	1,051	1,150
Accumulated vacation - net	535	510
Capital lease payable	2,307	2,441
Food program reimbursement	443	881
Total other post employment benefit liability	30,097	28,536
Net pension liability	102,726	90,570
Totals	**$ 309,156**	**$ 236,258**

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 $172 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

In considering the District adopted budget for the year 2018-19, the governing board and management used the following criteria:

Key Assumptions for Revenue Forecast

The General Fund is used to account for the overall operations of the school district. All expenditures are accounted for in this fund, except those required by law to be in a separate fund. This includes regular and special education instruction, administration, maintenance and operations, and other programs supported by the State and Federal agencies.

The sources of revenues are mainly generated from students' attendance, which is commonly known as Average Daily Attendance (ADA) through Local Control Funding Formula (LCFF). Other major sources of revenues are lottery, and categorical programs such as Title I, and After School Education and Safety (ASES). The District also generates local revenue from interest income, leases and rental of facilities, and other miscellaneous local donations.

The following assumptions were made in developing the Multi-Year Projections at the 2018-19 adopted budget:

Revenues

a) Enrollment for 2018-19 of 7,523 is a decrease of 193 students from enrollment in 2017-18 of 7,716. Enrollment for projected years 2019-20 and 2010-21 is estimated to be 7,354 and 7,232, respectively. The reasons for the reduction in the out years is due to the impact of independent Charter Schools, in addition to the rising cost of living and housing in the Redwood City area.

b) Average Daily Attendance (ADA) is projected at 7,255 for the 2018-19 year and 7,115 and 6,975 for the projected years respectively, which represents a 97% attendance rate next year. State Local Control Funding Formula income for the projected years is based on these estimates.

c) Due to the uncertainty surrounding the status of the Medical Administrative Activities ("MAA") program, no revenue is budgeted in the current nor future years.

d) A mandated cost reimbursement of $231,058 is included in the current year and future years. The current year also reflects one-time receipts of $2,550,836 of prior year Mandated Cost reimbursements.

e) Cost of Living Adjustments (COLA) for the projected years 2018-19, 2019-20, and 2020-21 is 3.00%, 2.57%, and 2.67%, respectively.

f) K-3 Class Size Reduction (CSR) continues to be a part of the LCFF model of funding.

g) Effective 2014-15, Tier III programs are part of the LCFF revenues.

h) Special Education funding under AB602 is projected with 2.57% and 2.67% COLA in the projected years, respectively.

Key Assumptions for Expenditures Forecast

General fund is primarily used to pay for the salaries and benefits of classroom teachers. The calculation is based on a student to teacher ratio that is agreed upon between the District and the teachers' organization. These funds also pay for the salaries and benefits of all support staff, school site administrators, and District administrators. School sites and departments are provided allocations for supplies and other operating expenses from these funds. Other operating expenses, such as utility costs, insurance, legal fees and other professional services, are paid from these funds. Expenditures for supplemental services provided by the categorical funds from Federal, State, and local sources are also included in this fund.

The following assumptions were made in developing the Multi-Year Projections at the adopted budget 2018-19:

a) The following class sizes are calculated for the current and projected years:

Grades	2017-18	2018-19	2019-20
TK-1	28:1	28:1	28:1
2-3	28:1	28:1	28:1
4-8	31:1	31:1	31:1
MIT and Kennedy-Student contacts	170	170	170

Additional teachers will be hired according to the projected number of students and the class size listed above.

b) There are no projections for any salary adjustments other than the estimated costs of step, column and longevity changes for all eligible employees. The cost of 1% of General Fund Salaries and Benefits is $679,375 (RCTA - $390,950, CSEA - $180,272, RCAA - $108,153).

c) Health benefit premiums are projected to increase by about 3.5% each year.

d) Utility costs are projected to increase by approximately 5% per year.

e) Contribution from unrestricted General Fund of $90,000 to the Family Center Program is included in the projected years.

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, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 173,622,588
Receivables	6,005,059
Prepaid expenses	235,679
Stores inventories	82,694
Capital assets not depreciated	12,793,970
Capital assets, net of accumulated depreciation	77,455,088
Total Assets	270,195,078
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	28,876,057
Deferred outflows of resources related to OPEB	1,001,896
Total Deferred Outflows of Resources	29,877,953
LIABILITIES	
Accounts payable	8,690,467
Interest payable	1,887,134
Unearned revenue	2,506,076
Compensated absence	535,123
Current portion of long-term obligations other than pensions	13,989,504
Noncurrent portion of long-term obligations other than pensions	161,807,352
Total OPEB liability	30,096,636
Aggregate net pension liability	102,725,789
Total Liabilities	322,238,081
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	8,832,300
Total Deferred Inflows	8,832,300
NET POSITION	
Net investment in capital assets	29,143,366
Restricted for:	
Educational programs	2,248,897
Child nutrition programs	2,123,069
Debt service	18,827,334
Capital projects	18,810,372
Unrestricted	(102,150,388)
Total Net Position	$ (30,997,350)

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

REDWOOD CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 73,372,466	$ 435,082	$ 14,108,214	$ (58,829,170)
Instruction-related activities:				
Supervision of instruction	4,999,056	62,595	1,088,682	(3,847,779)
Instructional library, media, and technology	2,480,214	1,322	31,357	(2,447,535)
School site administration	8,591,902	28,875	820,992	(7,742,035)
Pupil services:				
Home-to-school transportation	1,302,696	-	14,100	(1,288,596)
Food services	5,269,605	756,191	3,724,563	(788,851)
All other pupil services	4,543,378	19,787	626,318	(3,897,273)
Administration:				
Data processing	580,324	-	12,828	(567,496)
All other administration	5,343,262	46,150	634,552	(4,662,560)
Plant services	9,604,153	13,646	137,423	(9,453,084)
Community services	1,502,249	51,495	875,510	(575,244)
Interest on long-term obligations	4,636,533	-	-	(4,636,533)
Other outgo	502,067	841,133	7,088,637	7,427,703
Total Governmental Activities	$ 122,727,905	$ 2,256,276	$ 29,163,176	(91,308,453)
General revenues and subventions:				
Property taxes, levied for general purposes				36,872,668
Property taxes, levied for debt service				13,574,432
Taxes levied for other specific purposes				4,250,150
Federal and State aid not restricted to specific purposes				41,261,888
Interest and investment earnings				1,124,699
Subtotal, General Revenues				97,083,837
Change in Net Position				5,775,384
Net Position - Beginning, as restated				(36,772,734)
Net Position - Ending				$ (30,997,350)

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

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REDWOOD CITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
ASSETS				
Deposits and investments	$ 15,815,207	$ 115,309,451	$ 18,025,894	$ 20,628,524
Receivables	3,439,898	509,374	865,969	85,944
Due from other funds	530,254	-	-	-
Prepaid expenses	216,384	7,582	-	-
Stores inventories	23,078	-	-	-
Total Assets	$ 20,024,821	$ 115,826,407	$ 18,891,863	$ 20,714,468
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 6,852,908	$ 1,575,144	$ 80,717	$ -
Due to other funds	-	2,639	774	-
Unearned revenue	2,360,963	-	-	-
Total Liabilities	9,213,871	1,577,783	81,491	-
Fund Balances:				
Nonspendable	314,462	7,582	-	-
Restricted	2,248,897	114,241,042	18,810,372	20,714,468
Assigned	756,703	-	-	-
Unassigned	7,490,888	-	-	-
Total Fund Balances	10,810,950	114,248,624	18,810,372	20,714,468
Total Liabilities and Fund Balances	$ 20,024,821	$ 115,826,407	$ 18,891,863	$ 20,714,468

Nonmajor Governmental Funds	Total Governmental Funds
$ 3,843,512	$ 173,622,588
1,103,874	6,005,059
26,109	556,363
11,713	235,679
59,615	82,693
$ 5,044,823	$ 180,502,382
$ 181,698	$ 8,690,467
552,949	556,362
145,113	2,506,076
879,760	11,752,905
71,328	393,372
2,051,940	158,066,719
2,041,795	2,798,498
-	7,490,888
4,165,063	168,749,477
$ 5,044,823	$ 180,502,382

REDWOOD CITY SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$168,749,477**
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	166,627,141	
Accumulated depreciation is	(76,378,083)	
Net capital assets		90,249,058
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).		(535,123)
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.		(82,682,032)
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.		(1,887,134)
In the governmental funds, other postemployment benefit costs (OPEB) are based on employer contributions made to pension plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net total OPEB liability during the year.		(29,094,740)
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	(171,996,795)	
State school energy loan	(1,050,804)	
Capital lease payable	(2,306,717)	
Food program repayment	(442,540)	
Total Long-Term Obligations		(175,796,856)
Total Net Position - Governmental Activities		**$ (30,997,350)**

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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, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
REVENUES				
Local control funding formula	$ 75,797,495	$ -	$ -	$ -
Federal sources	4,951,473	-	-	-
Other State sources	9,991,636	-	-	39,751
Other local sources	7,976,225	1,204,316	3,998,547	13,709,046
Total Revenues	98,716,829	1,204,316	3,998,547	13,748,797
EXPENDITURES				
Current				
Instruction	62,976,979	-	-	-
Instruction-related activities:				
Supervision of instruction	4,416,317	-	-	-
Instructional library, media and technology	2,263,993	-	-	-
School site administration	7,351,854	-	-	-
Pupil services:				
Home-to-school transportation	1,189,129	-	-	-
Food services	1,952	-	-	-
All other pupil services	4,147,292	-	-	-
Administration:				
Data processing	529,732	-	-	-
All other administration	4,419,867	-	8,376	-
Plant services	9,174,760	-	190,568	-
Community services	1,371,285	-	-	-
Other outgo	502,067	-	-	-
Capital outlays	100,730	10,703,796	14,500	-
Debt service				
Principal	672,369	-	-	11,781,082
Interest and other	76,720	404,450	-	3,450,106
Total Expenditures	99,195,046	11,108,246	213,444	15,231,188
Excess (Deficiency) of Revenues Over Expenditures	(478,217)	(9,903,930)	3,785,103	(1,482,391)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Proceeds from the sale of bonds	-	67,000,000	-	4,766,173
Transfers out	(8,807)	-	(106,509)	-
Net Financing Sources (Uses)	(8,807)	67,000,000	(106,509)	4,766,173
NET CHANGE IN FUND BALANCES	(487,024)	57,096,070	3,678,594	3,283,782
Fund Balance - Beginning	11,297,974	57,152,554	15,131,778	17,430,686
Fund Balance - Ending	$ 10,810,950	$114,248,624	$ 18,810,372	$ 20,714,468

Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 75,797,495
3,795,056	8,746,529
4,437,856	14,469,243
1,827,827	28,715,961
10,060,739	127,729,228
3,976,051	66,953,030
146,928	4,563,245
-	2,263,993
491,018	7,842,872
-	1,189,129
4,808,256	4,810,208
-	4,147,292
-	529,732
449,201	4,877,444
151,898	9,517,226
-	1,371,285
-	502,067
-	10,819,026
-	12,453,451
-	3,931,276
10,023,352	135,771,276
37,387	(8,042,048)
115,317	115,317
-	71,766,173
-	(115,316)
115,317	71,766,174
152,704	63,724,126
4,012,359	105,025,351
$ 4,165,063	$ 168,749,477

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, 2018

Total Net Change in Fund Balances - Governmental Funds		$ 63,724,126
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 amount by which depreciation exceeds capital outlays in the period is:		
Depreciation expense	$ (4,147,224)	
Capital outlays	11,626,906	7,479,682
Proceeds and premiums received from the sale of general obligation bonds are revenue in the government funds, but increases long-term obligations in the statement of net position and does not affect the statement of activities.		(71,766,173)
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 more than the amounts used.		(25,114)
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.		(3,943,432)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and total OPEB liability during the year.		(1,441,899)

REDWOOD CITY SCHOOL DISTRICT

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

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.	12,453,451
Interest on long-term debt in the statement of activities differs from the amount reported on the governmetal 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.	(705,257)
Change in Net Position of Governmental Activities	**$ 5,775,384**

REDWOOD CITY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Deposits and investments	$ 253,215
Total Assets	$ 253,215
LIABILITIES	
Due to student groups	$ 253,215
Total Liabilities	$ 253,215

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 the 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).

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).

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, except for depreciation. 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.

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

Investments

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

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 when incurred.

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 and expenses in the proprietary 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 fair market 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.

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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, 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, 2018, fund balances of the governmental funds are classified as follows:

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

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

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.

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 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.

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.

New Accounting Principles

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

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

The District has implemented the provisions of this Statement as of July 1, 2017, the effect of which is described in Note 16 on page 58.

New Accounting Pronouncements

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

- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*
- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 87, *Leases*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*

The District has not determined the effect of these pronouncements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental funds	$	173,622,588
Fiduciary funds		253,215
Total deposits and investments	$	173,875,803

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

Cash on hand and in banks	$	472,843
Cash in revolving		75,000
Investments in the county pool		173,327,960
Total deposits and investments	$	173,875,803

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.

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 0.91 years in June 30, 2018.

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, 2018.

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.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, 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	$ 852,791	$ -	$ -	$ -	$ 552,307	$ 1,405,098
State Government						
Apportionment	3,082	-	-	-	-	3,082
Categorical aid	558,717	-	-	-	187,056	745,773
Lottery	336,006	-	-	-	-	336,006
Local Government						
Interest	41,054	509,374	74,034	85,944	14,531	724,937
Other local sources	1,648,248	-	791,935	-	349,980	2,790,163
Total	$ 3,439,898	$ 509,374	$ 865,969	$ 85,944	$ 1,103,874	$ 6,005,059

All receivables are considered collectible in full.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 1,441,595	$ -	$ -	$ 1,441,595
Construction in progress	3,093,049	8,553,728	294,402	11,352,375
Total capital assets not being depreciated	4,534,644	8,553,728	294,402	12,793,970
Capital assets being depreciated:				
Land improvements	14,767,830	-	-	14,767,830
Buildings and improvements	129,390,991	3,061,971	-	132,452,962
Furniture and equipment	6,306,770	320,485	14,876	6,612,379
Total capital assets being depreciated	150,465,591	3,382,456	14,876	153,833,171
Total capital assets	155,000,235	11,936,184	309,278	166,627,141
Less accumulated depreciation:				
Land improvements	10,259,118	706,050	-	10,965,168
Buildings and improvements	58,564,555	3,175,044	-	61,739,599
Furniture and equipment	3,407,186	280,262	14,132	3,673,316
Total accumulated depreciation	72,230,859	4,161,356	14,132	76,378,083
Governmental activities capital assets, net	$ 82,769,376	$ 7,774,828	$ 295,146	$ 90,249,058

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

Governmental Activities	
Instruction	$ 2,578,210
Supervision of instruction	175,720
Instructional library, media, and technology	87,181
School site administration	302,011
Home-to-school transportation	45,791
Food services	185,230
All other pupil services	159,703
Community services	52,805
All other general administration	187,819
Centralized data processing	20,399
Plant services	366,487
Total depreciation expenses governmental activities	$ 4,161,356

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, 2018, between major and non-major governmental funds, are as follows:

	Payable to		
Payable from	General Fund	Capital Facilities Fund	Total
Building Fund	$ 2,639	$ -	$ 2,639
Capital Facilities Fund	-	774	774
Nonmajor Governmental Funds	527,615	25,334	552,949
Total	$ 530,254	$ 26,108	$ 556,362

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

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfer to	
Transfer from	Nonmajor Governmental Funds	Total
General Fund	$ 8,807	$ 8,807
Capital Facility Fund	106,509	106,509
Total	$ 115,316	$ 115,316

General Fund transferred to cafeteria fund for general operating services.	$ 8,807
Capital facilities fund transferred to the deferred maintenance fund for maintenance projects.	106,509
Total	$ 115,316

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total
Vendor payables	$ 5,268,260	$ 1,575,144	$ -	$ 169,040	$ 7,012,444
Salaries and benefits	1,584,648	-	80,717	12,658	1,678,023
Total	$ 6,852,908	$ 1,575,144	$ 80,717	$ 181,698	$ 8,690,467

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal financial assistance	$ 78,371	$ -	$ 78,371
State categorical aid	2,250	-	2,250
Local sources	2,280,342	145,113	2,425,455
Total	$ 2,360,963	$ 145,113	$ 2,506,076

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 01, 2017	Additions/ Accretions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 105,774,838	$ 67,225,786	$ 11,781,082	$ 161,219,542	$ 12,810,000
Bond premiums	6,394,679	4,766,173	383,599	10,777,253	502,754
Subtotal	112,169,517	71,991,959	12,164,681	171,996,795	13,312,754
State school building loans	1,150,238	-	99,434	1,050,804	99,434
Accumulated vacation - net	510,009	25,114	-	535,123	-
Capital leases	2,441,493	-	134,776	2,306,717	134,776
Food program repayment	880,699	-	438,159	442,540	442,540
Total	$ 117,151,956	$ 72,017,073	$ 12,837,050	$ 176,331,979	$ 13,989,504

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 Outstanding July 01, 2017	Issued/ Accretion	Redeemed	Bonds Outstanding June 30, 2018
8/1/1997	8/1/2022	3.75-6.5%	$ -	$ 26,621,871	$ 1,392,671	$ 4,540,000	$ 23,474,542
8/1/2002	8/1/2027	2.1-5%	21,999,968	1,477,967	(1,166,885)	311,082	-
6/14/2012	2/1/2027	3.0-5.0%	18,545,000	17,675,000	-	130,000	17,545,000
8/24/2016	8/1/2046	2.0-4.0%	60,000,000	60,000,000	-	6,800,000	53,200,000
3/1/2018	8/1/2040	4.0-5.0%	67,000,000	-	67,000,000	-	67,000,000
				$ 105,774,838	$ 67,225,786	$ 11,781,082	$ 161,219,542

Debt Service Requirements to Maturity

The bonds mature through 2047 as follows:

Fiscal Year	Principal	Accreted Interest	Interest on Current Interest Bonds	Total
2019	$ 8,035,000	$ 3,277,894	$ 4,846,236	$ 16,159,130
2020	7,955,000	3,585,335	5,017,250	16,557,585
2021	5,400,000	3,955,031	4,756,675	14,111,705
2022	1,455,000	4,221,787	4,605,825	10,282,611
2023	1,625,000	4,528,752	4,528,825	10,682,576
2024-2028	12,005,000	-	21,460,635	33,465,635
2029-2033	9,240,000	-	19,538,598	28,778,598
2034-2038	18,210,000	-	16,679,360	34,889,360
2039-2043	30,085,000	-	12,217,254	42,302,254
2044-2047	43,735,000	-	4,198,713	47,933,713
Subtotal	137,745,000	$ 19,568,798	$ 97,849,368	$ 255,163,166
Accretion to date	23,474,542			
	$ 161,219,542			

State and Public School Building Loans

State school building loans outstanding as of June 30, 2018, are as follows:

Year Disbursed	Interest Rate	Maturity Due	Balance June 30, 2017	Issued	Repayments	Outstanding June 30, 2018
2014	1%	June 22, 2028	$ 1,150,238	$ -	$ 99,434	$ 1,050,804

Fiscal Year		Principal	Interest to Maturity	Total
2019		$ 100,431	$ 10,258	$ 110,689
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
2024-2028		538,507	14,939	553,445
	Subtotal	1,050,804	$ 56,086	$ 1,106,890

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.*

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:

	Buildings
Balance, July 1, 2017	$ 2,441,493
Additions	-
Payments/deletions	134,776
Balance, June 30, 2018	$ 2,306,717

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Buildings
2019	$ 207,703
2020	215,447
2021	223,483
2022	231,824
2023	240,480
2024-2028	1,344,166
2029	230,853
Total	2,693,956
Less: Amount Representing Interest	387,240
Present Value of Minimum Lease Payments	$ 2,306,717

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2018, include the following:

Buildings	$ 3,312,154
Accumulated Depreciation	(662,431)
	$ 2,649,723

Food Program Repayment

The District has entered into an agreement with the California Department of Education to repay unallowed food program expenditures. The District's liability on the food program repayment agreement is summarized below:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 442,540	$ 4,425	$ 446,965

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements on June 30, 2018:

	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	23,078	-	-	-	59,615	82,693
Prepaid expenditures	216,384	7,582	-	-	11,713	235,679
Total Nonspendable	314,462	7,582	-	-	71,328	393,372
Restricted						
Educational programs	2,248,897	-	-	-	-	2,248,897
Food program	-	-	-	-	2,051,940	2,051,940
Capital projects	-	114,241,043	18,810,372	-	-	133,051,415
Debt service	-	-	-	20,714,468	-	20,714,468
Total Restricted	2,248,897	114,241,043	18,810,372	20,714,468	2,051,940	158,066,720
Assigned						
Carryover of unspent funds	309,737	-	-	-	-	309,737
Future language arts books adoption	446,966	-	-	-	-	446,966
Other	-	-	-	-	2,041,795	2,041,795
Total Assigned	756,703	-	-	-	2,041,795	2,798,498
Unassigned						
Reserved for economic uncertainties	5,952,230	-	-	-	-	5,952,230
Remaining unassigned	1,538,658	-	-	-	-	1,538,658
Total Unassigned	7,490,888	-	-	-	-	7,490,888
Total	$ 10,810,950	$ 114,248,625	$ 18,810,372	$ 20,714,468	$ 4,165,063	$168,749,478

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As of June 30, 2018, 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
$ 30,096,636	$ 1,001,896	$ -	$ 2,562,909

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.

Benefits Provided

The District contributes to PEMHCA on behalf of each retiree eligible for PEMHCA. The contribution was $128.00/month for calendar 2017 and $133.00/month for calendar 2018. 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.

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, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	326
Active employees	821
	1,147

Total OPEB liability

The District's total OPEB liability of $30,096,636 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

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	3.13 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 and 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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016 measurement date	$ 28,535,623
Changes for the year:	
Service cost	1,759,146
Interest	876,477
Benefit payments	(1,074,610)
Net changes	1,561,013
Balance at June 30, 2017 measurement date	$ 30,096,636

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	Net OPEB Liability
1% decrease (2.13%)	$ 34,348,723
Current discount rate (3.13%)	30,096,636
1% increase (4.13%)	26,613,314

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	Net OPEB Liability
1% decrease (5.00% decreasing to 4.00%)	$ 26,185,207
Current healthcare cost trend rate (6.00% decreasing to 5.00%)	30,096,636
1% increase (7.00% decreasing to 6.00%)	34,952,634

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

For the year ended June 30, 2018, the District recognized OPEB expense of $2,562,909.

At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $1,001,896. This deferred outflow of resources will be recognized as OPEB expense during fiscal year 2018-19.

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, 2018, the District contracted with San Mateo County Schools Insurance Group for property and liability insurance coverage with a self-insured retention of $250,000. Coverage for property insurance is provided by Public Entity Property Insurance Program (PEPIP) for claims in excess of $250,000 and up to $1 million. Coverage for liability insurance is provided by CSAC Excess Insurance Authority (CSAL EIA) for claims in excess of $250,000 and up to $1 million. In addition, excess liability coverage is provided through Schools Excess Liability Fund (SELF) for claims in excess of $5 million and up to $50 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.

Workers' Compensation

For fiscal year 2018, 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, 2018, 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:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflow of Resources	Collective Deferred Inflow of Resources	Collective Pension Expense
CalSTRS	$ 67,660,293	$ 18,265,197	$ 7,913,619	$ 5,998,434
CalPERS	35,065,496	10,610,860	918,681	6,187,167
Total	$ 102,725,789	$ 28,876,057	$ 8,832,300	$ 12,185,601

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, 2016, 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.

The STRP provisions and benefits in effect at June 30, 2018, 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%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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, 2018, are presented above and the District's total contributions were $5,361,760.

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

At June 30, 2018, 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	$ 67,660,293
State's proportionate share of the net pension liability associated with the District	40,027,258
Total	$ 107,687,551

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.0732 percent and 0.0753 percent, resulting in a net decrease in the proportionate share of 0.0021 percent.

For the year ended June 30, 2018, the District recognized pension expense of $5,998,434. In addition, the District recognized pension expense and revenue of $4,029,128 for support provided by the State. At June 30, 2018, 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	$ 5,361,760	$ -
Net change in proportionate share of net pension liability	118,364	(4,931,593)
Differences between projected and actual earnings on pension plan investments	-	(1,801,982)
Differences between expected and actual experience in the measurement of the total pension liability	250,214	(1,180,044)
Change in assumption	12,534,859	-
Total	$ 18,265,197	$ (7,913,619)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of $5,361,760 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
2019	$ 1,692,925
2020	4,324,931
2021	2,922,473
2022	(2,732,072)
2023	(1,023,563)
Thereafter	(194,876)
Total	$ 4,989,818

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
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.

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, 2017, 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%)	$ 99,346,791
Current discount rate (7.10%)	$ 67,660,293
1% increase (8.10%)	$ 41,944,553

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, 2016 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	On or after
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%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above and the total District contributions were $2,880,409.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,065,496. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.1469 percent and 0.1501 percent, resulting in a net decrease in the proportionate share of 0.0032 percent.

For the year ended June 30, 2018, the District recognized pension expense of $6,187,167. At June 30, 2018, 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	$ 2,880,409	$ -
Net change in proportionate share of net pension liability	139,306	(505,828)
Difference between projected and actual earnings on pension plan investments	1,213,026	-
Differences between expected and actual experience in the measurement of the total pension liability	1,256,252	-
Changes of assumptions	5,121,867	(412,853)
Total	$ 10,610,860	$ (918,681)

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
2019	$ 1,881,256
2020	3,434,342
2021	2,160,425
2022	(664,253)
Total	$ 6,811,770

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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	47%	5.38%
Global fixed income	19%	2.27%
Private equity	12%	6.63%
Real estate	11%	5.21%
Inflation sensitive	6%	1.39%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

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%)	$ 43,283,110
Current discount rate (7.15%)	$ 35,065,496
1% increase (8.15%)	$ 17,124,862

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 years ending June 30, 2018 was $3,255,069. The June 30, 2018 rate was 9.328 percent of the second previous annual compensation. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as state revenues and employer pension expenditures. Accordingly, these amounts have been recorded in these financial statements.

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, 2018.

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, 2018.

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.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are generally available from the entity.

During the year ended June 30, 2018, the District made payments of $1.9 million to SMCSIG JPA for workers' compensation premiums and $1.6 million for dental premiums.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	$ (20,295,841)
Changes from adoption of new GASB accounting pronouncement as of July 1, 2017	
Deletion of the GASB Statement No. 45 Net OPEB Obligation	11,175,948
Recognition of the GASB Statement No. 75 Total OPEB Liability	(28,535,623)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 75	882,782
Net restatement of beginning net position	(16,476,893)
Net Position - Beginning as Restated	$ (36,772,734)

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD CITY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local control funding formula	$ 74,463,273	$ 75,750,808	$ 75,797,495	$ 46,687
Federal sources	5,054,509	5,480,044	4,951,473	(528,571)
Other state sources	6,551,010	8,953,670	9,991,636	1,037,966
Other local sources	6,409,469	9,129,437	7,976,225	(1,153,212)
Total Revenues	92,478,261	99,313,959	98,716,829	(597,130)
EXPENDITURES				
Current				
Certificated salaries	37,269,575	38,516,444	37,953,218	563,226
Classified salaries	16,739,035	17,005,330	16,705,004	300,326
Employee benefits	23,903,431	22,573,484	22,422,270	151,214
Books and supplies	5,145,885	6,835,132	4,950,798	1,884,334
Services and operating expenditures	13,803,755	16,492,048	16,252,572	239,476
Other outgo	176,452	140,980	52,865	88,115
Capital outlay	283,520	364,739	109,230	255,509
Debt service - principal	672,369	672,369	672,369	-
Debt service - interest	76,720	76,720	76,720	-
Total Expenditures	98,070,742	102,677,246	99,195,046	3,482,200
Excess (Deficiency) of Revenues Over Expenditures	(5,592,481)	(3,363,287)	(478,217)	2,885,070
Other Financing Sources (Uses):				
Transfers out	(8,807)	(8,807)	(8,807)	-
Net Financing Sources (Uses)	(8,807)	(8,807)	(8,807)	-
NET CHANGE IN FUND BALANCES	(5,601,288)	(3,372,094)	(487,024)	2,885,070
Fund Balance - Beginning	11,297,974	11,297,974	11,297,974	-
Fund Balance - Ending	$ 5,696,686	$ 7,925,880	$ 10,810,950	$ 2,885,070

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, 2018

	2018
Total OPEB Liability	
Service cost	$ 1,759,146
Interest	876,477
Benefit payments	(1,074,610)
Net change in total OPEB liability	1,561,013
Total OPEB liability - beginning	28,535,623
Total OPEB liability - ending	$ 30,096,636
Covered-employee payroll	$ 61,521,852
Total OPEB liability as a percentage of covered-employee payroll	48.92%
Measurement date	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, 2018

MEASUREMENT DATE, JUNE 30,	2017	2016
CalSTRS		
District's proportion of the net pension liability	0.0732%	0.0753%
District's proportionate share of the net pension liability	$ 67,660,293	$ 60,926,858
State's proportionate share of the net pension liability associated with the District	40,027,258	34,684,573
Total	$ 107,687,551	$ 95,611,431
District's covered payroll	$ 37,157,034	$ 37,541,855
District's proportionate share of the net pension liability as a percentage of its covered payroll	182.09%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1469%	0.1501%
District's proportionate share of the net pension liability	$ 35,065,496	$ 29,643,117
District's covered payroll	$ 18,546,191	$ 18,006,500
District's proportionate share of the net pension liability as a percentage of its covered payroll	189.07%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2015	2014
0.0820%	0.0817%
$ 55,191,692	$ 47,739,990
29,190,321	28,827,467
$ 84,382,013	$ 76,567,457
$ 37,677,883	$ 36,659,641
146.48%	130.22%
74%	77%

0.1482%	0.1455%
$ 21,848,267	$ 16,515,190
$ 16,302,064	$ 15,212,767
134.02%	108.56%
79%	83%

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

FISCAL YEAR END, JUNE 30,	2018	2017
CalSTRS		
Contractually required contribution	$ 5,361,760	$ 4,877,949
Contributions in relation to the contractually required contribution	(5,361,760)	(4,877,949)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 37,157,034	$ 38,775,429
Contributions as a percentage of covered payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 2,880,409	$ 2,601,337
Contributions in relation to the contractually required contribution	(2,880,409)	(2,601,337)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 18,546,191	$ 18,730,825
Contributions as a percentage of covered payroll	15.53%	13.89%

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

See accompanying note to required supplementary information.

2016	2015
$ 4,028,241	$ 3,345,796
(4,028,241)	(3,345,796)
$ -	$ -
$ 37,541,855	$ 37,677,883
10.73%	8.88%
$ 2,133,230	$ 1,918,916
(2,133,230)	(1,918,916)
$ -	$ -
$ 18,006,500	$ 16,302,064
11.85%	11.77%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

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.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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 – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District 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, 2018

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:			
Title I, Part C, Migrant Education - Regular	84.011	14326	$ 155,275
Title I, Migrant Ed Summer Program	84.011	10005	4,771
Total Title I, Migrant Education			160,046
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	1,499,850
Title II, Part A, Improving Teacher Quality	84.367	14341	365,484
Title IV, 21st Century Community Learning Centers Program	84.287	14349	805,126
Title III, Immigrant Education Program	84.365	15146	40,545
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	187,708
Special Education Cluster (IDEA):			
Basic Local Assistance, Part B	84.027	13379	1,458,637
Local Assistance, Private, Part B	84.027	10115	34,863
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	199,759
Preschool Grants, Part B, Sec 619	84.173	13430	64,291
Total Special Education Cluster			1,757,550
Total U.S. Department of Education and passed through the California Department of Education			4,816,309
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Care Services:			
Medi-Cal Billing Option	93.778	10013	135,162
Total Medi-Cal Program Cluster			135,162

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Agriculture:			
Child Nutrition Cluster			
School Lunch Programs	10.555	13391	2,262,038
School Breakfast Needy	10.553	13526	903,407
School Breakfast Basic	10.553	13525	21,012
Meal Supplements	10.555	13524	157,325
Commodities [1]	10.555	13396	166,024
Total Child Nutrition Cluster			3,509,806
Child Nutrition - Centers And Family Day Care	10.558	13393	204,322
Total U.S. Department of Agriculture and passed through the California Department of Agriculture			3,714,128
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through Silicon Valley Community Foundation:			
Social Innovation Fund	94.019	N/A	246,954
Total Expenditures of Federal Awards			$ 8,912,553

[1] Amount not included in the financial statements.

REDWOOD CITY SCHOOL DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

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 two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
María Díaz-Slocum	President	2018
Dennis McBride	Vice President	2020
Janet Lawson	Clerk	2020
Alisa Greene MacAvoy	Trustee Representative to the San Mateo County Committee on School District Organization	2020
Hilary Paulson	Legislative Network Member	2018

ADMINISTRATION

NAME	TITLE
John R. Baker, Ed. D.	Superintendent
Wendy Kelly	Executive Director of Human Resources & Educational Services 6-8
Linda Montes, Ed. D.	Executive Director of Educational Services K-5 & 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, 2018

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,221.41	3,230.48
Fourth through sixth	2,369.64	2,370.12
Seventh and eighth	1,789.75	1,790.63
Total Regular ADA	7,380.80	7,391.23
Extended Year Special Education		
Transitional kindergarten through third	7.29	7.29
Fourth through sixth	6.91	6.91
Seventh and eighth	1.78	1.78
Total Extended Year	15.98	15.98
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.80	3.70
Fourth through sixth	5.89	5.67
Seventh and eighth	7.96	8.28
Total Special Education,	17.65	17.65
Extended Year, Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.23	0.23
Fourth through sixth	0.30	0.30
Seventh and eighth	0.26	0.26
Total Special Education,	0.79	0.79
Total ADA	7,415.22	7,425.65

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,350	180	Complied
Grade 1 - 3				
Grade 1	50,400	50,412	180	Complied
Grade 2	50,400	50,412	180	Complied
Grade 3	50,400	50,412	180	Complied
Grade 4 - 6				
Grade 4	54,000	54,195	180	Complied
Grade 5	54,000	54,195	180	Complied
Grade 6	54,000	54,396	180	Complied
Grade 7 - 8				
Grade 7	54,000	54,396	180	Complied
Grade 8	54,000	54,396	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, 2018

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, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND				
Total Revenues and other sources	$ 97,638,873	$ 98,716,829	$ 98,156,030	$ 101,763,721
Expenditures	99,962,708	99,195,046	97,315,051	96,925,973
Other uses and transfers out	446,966	8,807	547,617	-
Total expenditures and other uses	100,409,674	99,203,853	97,862,668	96,925,973
INCREASE (DECREASE) IN FUND BALANCE	$ (2,770,801)	$ (487,024)	$ 293,362	$ 4,837,748
ENDING FUND BALANCE	$ 8,040,149	$ 10,810,950	$ 11,297,974	$ 11,004,612
AVAILABLE RESERVES [2]	$ 7,343,401	$ 7,490,888	$ 7,430,372	$ 5,078,795
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	7.31%	7.55%	7.59%	5.24%
LONG-TERM COMMITMENTS				
Bonded debt	$ 158,007,291	$ 171,996,795	$ 112,169,517	$ 50,753,302
Direct district obligations				
Net pension liability	102,725,789	102,725,789	90,569,975	77,039,960
Total OPEB liability	30,096,636	30,096,636	28,535,623	-
Net OPEB obligation	-	-	-	9,652,306
Other	4,335,184	4,335,184	4,982,439	5,675,193
Total direct district obligations	137,157,609	137,157,609	124,088,037	92,367,459
TOTAL LONG-TERM COMMITMENTS	295,164,900	309,154,404	236,257,554	143,120,761
K-8 AVERAGE DAILY ATTENDANCE AT P-2	7,277	7,415	7,632	8,026

The general fund balance has decreased by $193,662 over the past two years. The fiscal year 2018-19 budget projects a decrease of $2,770,801. 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 has incurred operating surpluses over the past three years but anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by $166,033,643 over the past two years due mostly to the inclusion of the unfunded portion of STRS and PERS pension liabilities and a new general obligation bond issuance. The District adopted GASB Statement No. 75 as of July 1, 2017, which changed the valuation formula of the post-employment benefits liability.

Average daily attendance has decreased by 611 over the past two years. A decrease of 138 ADA is anticipated during fiscal year 2018-19 due mostly to anticipated changes related to the changes in charter schools and declining enrollment.

[1] Budget 2019 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, 2018

Name of Charter School	Included in Audit Report
Connect Community Charter School	No
KIPP Excelencia Community Preparatory	No
Rocketship Redwood City	No

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Capital Outlay Fund	Total Nonmajor Funds
ASSETS					
Deposits and investments	$ 59,295	$ 1,754,638	$ 395	$ 2,029,184	$ 3,843,512
Receivables	448,386	646,613	-	8,875	1,103,874
Due from other funds	-	25,335	774	-	26,109
Prepaid expenses	199	11,514	-	-	11,713
Stores inventories	-	59,615	-	-	59,615
Total Assets	$ 507,880	$ 2,497,715	$ 1,169	$ 2,038,059	$ 5,044,823
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 38,091	$ 142,695	$ 912	$ -	$ 181,698
Due to other funds	321,714	230,978	257	-	552,949
Unearned revenue	144,140	973	-	-	145,113
Total Liabilities	503,945	374,646	1,169	-	879,760
Fund Balances:					
Nonspendable	199	71,129	-	-	71,328
Restricted	-	2,051,940	-	-	2,051,940
Assigned	3,736	-	-	2,038,059	2,041,795
Unassigned	-	-	-	-	-
Total Fund Balances	3,935	2,123,069	-	2,038,059	4,165,063
Total Liabilities and Fund Balances	$ 507,880	$ 2,497,715	$ 1,169	$ 2,038,059	$ 5,044,823

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, 2018

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Capital Outlay Fund	Total Nonmajor Funds
REVENUES					
Federal sources	$ 246,954	$ 3,548,102	$ -	$ -	$ 3,795,056
Other State sources	4,163,007	274,849	-	-	4,437,856
Other local sources	559,180	1,241,235	(708)	28,120	1,827,827
Total Revenues	4,969,141	5,064,186	(708)	28,120	10,060,739
EXPENDITURES					
Current					
Instruction	3,976,051	-	-	-	3,976,051
Instruction-related activities:					
Supervision of instruction	146,928	-	-	-	146,928
School site administration	491,018	-	-	-	491,018
Pupil services:					
Food services	73,555	4,734,701	-	-	4,808,256
Administration:					
All other administration	234,030	215,171	-	-	449,201
Plant services	44,000	2,096	105,802	-	151,898
Total Expenditures	4,965,582	4,951,968	105,802	-	10,023,352
Excess (Deficiency) of Revenues Over Expenditures	3,559	112,218	(106,510)	28,120	37,387
Other Financing Sources (Uses)					
Transfers in	-	8,807	106,510	-	115,317
Net Financing Sources (Uses)	-	8,807	106,510	-	115,317
NET CHANGE IN FUND BALANCES	3,559	121,025	-	28,120	152,704
Fund Balance - Beginning	376	2,002,044	-	2,009,939	4,012,359
Fund Balance - Ending	$ 3,935	$ 2,123,069	$ -	$ 2,038,059	$ 4,165,063

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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	CFDA Number	Amount
Total federal revenues reported on the statement of revenues, expenditures and changes in fund balance:		$ 8,746,529
Commodities are not reported on the financial statements	10.555	166,024
Total expenditures reported on the schedule of expenditures of federal awards		$ 8,912,553

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District 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 or 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, 2018, 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 14, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 11 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

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.

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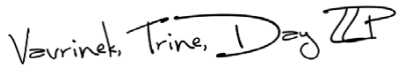
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Palo Alto, California
December 14, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. 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.

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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, 2018.

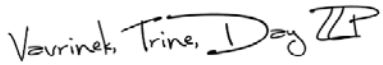
Report on Internal Control Over Compliance

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 14, 2018

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 *2017-2018 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, 2018.

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 *2017-2018 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 2018-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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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 for the year ended June 30, 2018.

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 government programs noted below that were audited for the year ended June 30, 2018.

Other Matters

Redwood City School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Redwood City School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes

	Procedures Performed
Before School	No, see below
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 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.

Vavrinek, Trine, Day LLP

Palo Alto, California
December 14, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

REDWOOD CITY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A
84.027, 84.173	Special Education Cluster

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

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:

Name of Program
Classroom Teacher Salaries

REDWOOD CITY SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None Reported.

None Reported.

REDWOOD CITY SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The Following findings represent instances of noncompliance relating to state program laws and regulations.

2018-001 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 55.92% of its expenditures on the current expense of education, but was required to spend 60%, creating a shortage of 4.08%. Current expense of education of $85,239,771 times the percent short of 4.08% equals $3,477,783.

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
This is due to an increase in one-time funding from the state that was not used for 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 Officials

The District was unable to meet the 60% requirement as it is receiving part of the State Revenue as "one time" funds, which normally is not used for ongoing compensation expenses. In addition, the implementation of Local Control Funding Formula led to folding many Categorical Programs that became part of the Unrestricted General Fund, where part of these funds is still spent in non-personnel related expenditures in accordance to Local Control Accountability Plan.

The District will be filing a waiver request with the San Mateo County Office of Education. The waiver application will be presented to the District Board for approval at January 16, 2019 Board Meeting.

REDWOOD CITY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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

2017-001 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, 2017.

Current Status
See 2018-001.