REDWOOD CITY
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2017

REDWOOD CITY SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor 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 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017. 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 $(20) million for the fiscal year ended June 30, 2017. Of this amount, ($81) 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	
	2017	2016
Assets		
Current and other assets	$ 113,241	$ 41,993
Capital assets	82,769	83,349
Total Assets	**196,010**	**125,342**
Deferred Outflows	**18,664**	**15,587**
Liabilities		
Current liabilities	19,020	8,962
Long-term obligations	209,117	143,121
Total Liabilities	**228,137**	**152,083**
Deferred Inflows	**6,833**	**15,817**
Net Position		
Net investment in capital assets	24,161	28,783
Restricted	36,414	22,820
Unrestricted	(80,871)	(78,574)
Total Net Position	**$ (20,296)**	**$ (26,971)**

The ($81) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and includes $91 million of unfunded pension liabilities and $11 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	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 917	$ 825
Operating grants and contributions	26,957	24,184
General revenues:		
Federal and State aid not restricted to specific purposes	37,175	35,752
Property taxes	59,521	55,420
Other general revenues	719	2,940
Total Revenues	**125,289**	**119,121**
Expenses		
Instruction and Instruction-related	86,551	82,913
Student support services	9,693	10,106
Administration	5,777	5,813
Maintenance and operations	9,880	9,223
Other	6,713	5,739
Total Expenses	**118,614**	**113,794**
Change in Net Position	**$ 6,675**	**$ 5,327**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of District's governmental activities this year was $119 million. However, the amount that taxpayers ultimately financed for these activities through local taxes was $60 million because the cost was paid by those who benefited from the programs ($1 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($27 million). The District paid for the remaining "public benefit" portion of its governmental activities with $37 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	
	2017	2016	2017	2016
Instruction	$ 71,251	$ 69,699	$ 57,286	$ 55,393
Instruction-related	15,300	13,214	13,047	11,573
Pupil Services	9,693	10,106	4,713	5,018
Administration	5,777	5,813	5,195	5,127
Plant Services	9,880	9,223	9,829	9,162
Other	6,713	5,739	670	2,512
Totals	**$ 118,614**	**$ 113,794**	**$ 90,740**	**$ 88,785**

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of $105 million, which is an increase of $72 million from last year (Table 4).

Table 4

(Amounts in thousands)	Fund Balance	
	2017	2016
General	$ 11,298	$ 11,005
Child Development	-	428
Cafeteria	2,002	1,501
Deferred Maintenance	-	-
Building	57,152	-
Capital Facilities	15,132	12,076
Special Reserve for Capital Outlay Projects	2,010	1,991
Bond Interest and Redemption	17,431	6,406
Totals	**$ 105,025**	**$ 33,407**

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 $3 million due to increases in developer fees and receipt of RDA funds.
c) The Bond Interest and Redemption Fund balance has increased by $11 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 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 59.)

Changes between our 2016-17 original and final budgets were as follows:

a) Budgeted revenues increased by $4 million due to the following:
   1. Funding changes due to the implementation of the new Local Control Funding Formula
   2. Adjustments in revenue categories as grants and entitlement become available from the Federal, State, and Local agencies. In addition, carryovers budgets were added.

b) Budgeted expenditures increased by $3 million due to the following:
   1. Adjustments to expenditures were made as revenues increased and when carryovers were added.
   2. Services and operating expenditures in the original budget were lower than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $83 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	
	2017	2016
Land and construction in progress	$ 4,535	$ 1,691
Buildings and improvements	75,334	78,819
Equipment	2,900	2,840
Totals	**$ 82,769**	**$ 83,350**

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 $219 million in long-term obligations versus $143 million last year, an increase of $76 million or 53 percent. Long-term obligations consisted of:

Table 6

(Amounts in thousands)	Governmental Activities	
	2017	2016
General obligation bonds (financed with property taxes)	$ 112,170	$ 50,753
State school building loans	1,150	1,249
Accumulated vacation - net	510	546
Capital lease payable	2,441	2,566
Food program reimbursement	881	1,315
Other post employment benefit	11,176	9,652
Net pension liability	90,570	77,040
Totals	**$ 218,898**	**$ 143,121**

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 $112 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 2017-18, 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 2nd Interim budget period:

Revenues

a) Enrollment for 2016-17 of 7,949 represents a decrease of 151 students from the original projection of 8,100. Enrollment for projected years is 7,473 and 7,278 respectively. The reasons for the reduction in the out years is due to the impact of independent Charter Schools.

b) Average Daily Attendance ("ADA") is projected at 7,631 for the current year and 7,174 and 6,987 for the projected years respectively, which represents a 96% attendance rate.

   LCFF/Revenue Limit income for the projected years is based on ADA of 7,456 and 7,179, respectively. Cost of Living Adjustments ("COLA") for the projected years is 1.48% and 2.40%, respectively.

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

d) Carryover of unspent State grants from prior year are included in the current, but eliminated for the projected years due to its one-time nature.

e) A mandated cost reimbursement of $229,474 is included in the current year and future years. The current year also reflects one-time receipts of $1,727,922 of prior year Mandated Cost reimbursements.

f) There are 1.48% and 2.40% COLA projections for the State revenues in the future years.

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

h) Effective 2014/15, Tier III programs are part of the LCFF revenues.

i) Special Education funding under AB602 is projected with 1.48% and 2.40% COLA in the projected years, respectively.

j) Carryover of unspent local grants from prior year are included in the current year, but eliminated for the projected years due to its one-time nature. Other local grants are projected at the same level as the current year.

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 each department 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 2nd Interim budget period:

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

Grades	2016/17	2017/18	2018/19
TK-1	26:1	28:1	28:1
2-3	28:1	28:1	28:1
4-8	31:1	31:1	31:1
MIT & 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 $690,600 (RCTA - $406,349, CSEA - $176,158, RCAA - $108,093).

c) Health benefit premiums are projected to increase by about 5% each year.

d) Expenditures relative to carryover of unspent funds from the prior year are included in the current year. These expenditures are eliminated in the projected years, since the source of funding is one-time in nature.

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

f) Contribution from unrestricted General Fund of $90,000 to 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, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact Wael Saleh, Chief Business Official, at Redwood City School District, 750 Bradford Street, California, 94063, or e-mail at wsaleh@rcsdk8.net.

REDWOOD CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 101,629,610
Receivables	11,475,716
Prepaid expenses	90,578
Stores inventories	44,902
Capital assets not depreciated	4,534,644
Capital assets, net of accumulated depreciation	78,234,732
Total Assets	196,010,182
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	18,663,876
LIABILITIES	
Accounts payable	6,592,792
Interest payable	1,024,064
Unearned revenue	1,622,663
Current portion of long-term obligations other than pensions	9,780,706
Noncurrent portion of long-term obligations other than pensions	118,547,198
Aggregate net pension liability	90,569,975
Total Liabilities	228,137,398
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,832,501
NET POSITION	
Net investment in capital assets	24,160,682
Restricted for:	
Educational programs	864,028
Child nutrition program	2,002,044
Debt service	16,406,622
Capital projects	17,141,717
Unrestricted	(80,870,934)
Total Net Position	$ (20,295,841)

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

REDWOOD CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	$ 71,251,043	$ 206,904	$ 13,758,238	$ (57,285,901)
Instruction-related activities:				
Supervision of instruction	4,879,448	-	1,454,496	(3,424,952)
Instructional library, media, and technology	2,168,507	-	31,001	(2,137,506)
School site administration	8,252,305	22,024	745,712	(7,484,569)
Pupil services:			-	
Home-to-school transportation	1,136,058	-	19,910	(1,116,148)
Food services	4,359,528	650,154	3,744,627	35,253
All other pupil services	4,197,221	-	565,481	(3,631,740)
Administration:				
Data processing	723,419	-	8,172	(715,247)
All other administration	5,053,521	34,667	538,772	(4,480,082)
Plant services	9,879,516	3,119	47,498	(9,828,899)
Community services	1,391,182	-	990,405	(400,777)
Interest on long-term obligations	4,804,690	-	-	(4,804,690)
Other outgo	517,162	-	5,052,425	4,535,263
Total Governmental Activities	$ 118,613,600	$ 916,868	$ 26,956,737	(90,739,995)
General revenues and subventions:				
Property taxes, levied for general purposes				43,126,167
Property taxes, levied for debt service				13,003,191
Taxes levied for other specific purposes				3,391,213
Federal and State aid not restricted to specific purposes				37,174,896
Interest and investment earnings				719,259
Subtotal, General Revenues				97,414,726
Change in Net Position				6,674,731
Net Position - Beginning				(26,970,572)
Net Position - Ending				$ (20,295,841)

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

REDWOOD CITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Funds	Capital Facilities Fund	Bond Interest and Redemption Fund
ASSETS				
Deposits and investments	$ 7,659,240	$ 57,640,906	$ 15,041,878	$ 17,388,878
Receivables	10,226,255	156,015	74,302	41,808
Due from other funds	517,983	-	12,342	-
Prepaid expenses	74,072	7,083	8,375	-
Stores inventories	14,314	-	-	-
Total Assets	$ 18,491,864	$ 57,804,004	$ 15,136,897	$ 17,430,686
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 5,702,076	$ 651,193	$ 5,119	$ -
Due to other funds	988	257	-	-
Unearned revenue	1,490,826	-	-	-
Total Liabilities	7,193,890	651,450	5,119	-
Fund Balances:				
Nonspendable	163,386	7,083	8,375	-
Restricted	864,028	57,145,471	15,123,403	17,430,686
Assigned	5,776,068	-	-	-
Unassigned	4,494,492	-	-	-
Total Fund Balances	11,297,974	57,152,554	15,131,778	17,430,686
Total Liabilities and Fund Balances	$ 18,491,864	$ 57,804,004	$ 15,136,897	$ 17,430,686

Nonmajor Governmental Funds	Total Governmental Funds
$ 3,898,708	$ 101,629,610
977,336	11,475,716
-	530,325
1,048	90,578
30,588	44,902
$ 4,907,680	$ 113,771,131

$ 234,404	$ 6,592,792
529,080	530,325
131,837	1,622,663
895,321	8,745,780
31,636	210,480
3,980,347	94,543,935
376	5,776,444
-	4,494,492
4,012,359	105,025,351
$ 4,907,680	$ 113,771,131

REDWOOD CITY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 105,025,351**
Amounts reported for governmental activities in the statement of net position are different because of the following items:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 155,000,235	
Accumulated depreciation is	(72,230,859)	
Net capital assets		82,769,376
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		18,663,876
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.		(1,024,064)
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(6,832,501)
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:		
Bonds payable, net of premiums	112,169,517	
Net other postemployment benefits (OPEB) obligation	11,175,948	
State school energy loan	1,150,238	
Capital lease payable	2,441,493	
Compensated absences (vacations)	510,009	
Food program repayment	880,699	
Net pension liability	90,569,975	
Total Long-Term Obligations		(218,897,879)
Total Net Position - Governmental Activities		**$ (20,295,841)**

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

REDWOOD CITY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
REVENUES				
Local Control Funding Formula	$ 78,253,234	$ -	$ -	$ -
Federal sources	5,113,753	-	-	-
Other State sources	7,363,704	-	-	45,427
Other local sources	7,425,339	468,490	3,138,008	13,050,781
Total Revenues	98,156,030	468,490	3,138,008	13,096,208
EXPENDITURES				
Current				
Instruction	62,125,122	-	-	-
Instruction-related activities:				
Supervision of instruction	4,533,545	-	-	-
Instructional library, media and technology	2,014,783	-	-	-
School site administration	7,172,385	-	-	-
Pupil services:				
Home-to-school transportation	1,055,523	-	-	-
Food services	913	-	-	-
All other pupil services	3,899,681	-	-	-
Administration:				
Data processing	672,136	-	-	-
All other administration	4,318,987	-	8,453	-
Plant services	9,237,853	2,243	57,467	-
Community services	1,292,561	-	-	-
Other outgo	517,162	-	-	-
Facility acquisition and construction	170,660	2,837,492	169,356	-
Debt service				
Principal	222,488	-	-	4,756,929
Interest and other	81,252	235,000	-	2,297,059
Total Expenditures	97,315,051	3,074,735	235,276	7,053,988
Excess (Deficiency) of Revenues Over Expenditures	840,979	(2,606,245)	2,902,732	6,042,220
Other Financing Sources (Uses)				
Transfers in	-	-	241,201	-
Proceeds from the sale of bonds	-	60,000,000	-	4,982,342
Transfers out	(547,617)	(241,201)	(88,647)	-
Net Financing Sources (Uses)	(547,617)	59,758,799	152,554	4,982,342
NET CHANGE IN FUND BALANCES	293,362	57,152,554	3,055,286	11,024,562
Fund Balance - Beginning	11,004,612	-	12,076,492	6,406,124
Fund Balance - Ending	$ 11,297,974	$ 57,152,554	$ 15,131,778	$ 17,430,686

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

Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 78,253,234
3,899,847	9,013,600
3,879,105	11,288,236
1,238,157	25,320,775
9,017,109	123,875,845
4,108,816	66,233,938
-	4,533,545
-	2,014,783
494,916	7,667,301
-	1,055,523
4,452,636	4,453,549
-	3,899,681
-	672,136
367,838	4,695,278
137,004	9,434,567
-	1,292,561
-	517,162
-	3,177,508
-	4,979,417
-	2,613,311
9,561,210	117,240,260
(544,101)	6,635,585
636,264	877,465
-	64,982,342
-	(877,465)
636,264	64,982,342
92,163	71,617,927
3,920,196	33,407,424
$ 4,012,359	$ 105,025,351

REDWOOD CITY SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		$ 71,617,927
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	$ (4,032,545)	
Capital outlays	3,452,404	(580,141)
Proceeds and premium received from 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.		(64,982,342)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used.		36,447
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.		(1,468,436)
Net amortization of premium costs relating to the general obligation bonds are reported in the government-wide financial statement, but are not accounted for in the governmental funds.		343,881
In the statement of activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.		(2,406,424)
In governmental funds, OPEB costs are recognized when employer contribtuions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between OPEB costs and actual employer contributions was:		882,782

REDWOOD CITY SCHOOL DISTRICT

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

Repayments of long-term debt obligations including general obligation bonds, state school building loans, capital lease and food program repayment 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.	5,413,237
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.	(2,182,200)
Change in Net Position of Governmental Activities	**$ 6,674,731**

REDWOOD CITY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency Funds
ASSETS	
Deposits and investments	$ 242,492
Total Assets	$ 242,492
LIABILITIES	
Due to student groups	$ 242,492
Total Liabilities	$ 242,492

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 Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. 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, 2017, 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

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

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 and for pension related items. The District reports deferred outflows of resources for current year pension related items.

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, 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. There was a significant drop in property tax during the year due to the legislation "re-directed" property taxes in the Education Revenue Augmentation Fund (ERAF) to school districts, which was backfilled with state aid.

New Accounting Pronouncements

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

- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- GASB Statement No. 81 – Irrevocable Split–Interest Agreements
- GASB Statement No. 83 – Certain Asset Retirement Obligations
- GASB Statement No. 84 – Fiduciary Activities
- GASB Statement No. 85 – Omnibus 2017
- GASB Statement No. 86 – Certain Debt Extinguishment Issues
- GASB Statement No. 87 – Leases

The District has not determined the effect of these statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Governmental funds	$ 101,629,610
Fiduciary funds	242,492
Total deposits and investments	$ 101,872,102

Deposits and investments as of June 30, 2017 consisted of the following:

Cash on hand and in banks	$ 334,114
Cash in revolving	75,000
Investments	101,462,988
Total deposits and investments	$ 101,872,102

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 1.01 years in June 30, 2017.

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, 2017.

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, 2017, 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	$ 1,004,821	$ -	$ -	$ -	$ 681,745	$ 1,686,566
State Government						
Apportionment	4,109,870	-	-	-	-	4,109,870
Categorical aid	2,237,731	-	-	-	44,079	2,281,810
Lottery	757,523	-	-	-	-	757,523
Local Government						
Interest	34,170	156,015	37,334	41,808	8,681	278,008
Other local sources	2,082,140		36,968	-	242,831	2,361,939
Total	$ 10,226,255	$ 156,015	$ 74,302	$ 41,808	$ 977,336	$ 11,475,716

All receivables are considered collectible in full.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 1,441,595	$ -	$ -	$ 1,441,595
Construction in progress	249,176	2,851,873	8,000	3,093,049
Total capital assets not being depreciated	1,690,771	2,851,873	8,000	4,534,644
Capital assets being depreciated:				
Land improvements	14,718,090	49,740	-	14,767,830
Buildings and improvements	129,103,705	287,286	-	129,390,991
Furniture and equipment	6,035,265	271,505	-	6,306,770
Total capital assets being depreciated	149,857,060	608,531	-	150,465,591
Total capital assets	151,547,831	3,460,404	8,000	155,000,235
Less accumulated depreciation:				
Land improvements	9,553,284	705,834	-	10,259,118
Buildings and improvements	55,450,131	3,114,424	-	58,564,555
Furniture and equipment	3,194,899	212,287	-	3,407,186
Total accumulated depreciation	68,198,314	4,032,545	-	72,230,859
Governmental activities capital assets, net	$ 83,349,517	$ (572,141)	$ 8,000	$ 82,769,376

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

Governmental Activities	
Instruction	$ 2,520,851
Supervision of instruction	172,546
Instructional library, media, and technology	76,682
School site administration	291,816
Home-to-school transportation	40,173
Food services	169,501
All other pupil services	148,421
Community services	49,195
All other general administration	178,701
Centralized data processing	25,581
Plant services	359,078
Total depreciation expenses governmental activities	$ 4,032,545

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, 2017, between major and non-major governmental funds, are as follows:

	Due To		
Due From	General Fund	Capital Facilities Fund	Total
General Fund	$ -	$ 988	$ 988
Building Fund	257	-	257
Nonmajor Governmental Funds	517,726	11,354	529,080
Total	$ 517,983	$ 12,342	$ 530,325

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, 2017, consisted of the following:

	Transfer In		
Transfer Out	Capital Facilities Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 547,617	$ 547,617
Building Fund	241,201	-	241,201
Capital Facility Fund	-	88,647	88,647
Total	$ 241,201	$ 636,264	$ 877,465

General Fund transferred to Cafeteria Fund for general operating services.	$ 547,617
Building Fund transferred to the Capital Facilities Fund to reimburse a prior year project.	241,201
Capital Facilities Fund transferred to the Deferred Maintenance Fund for maintenance projects.	88,647
Total	$ 877,465

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total
Vendor payables	$ 3,643,426	$ 651,193	$ 5,119	$ 154,728	$ 4,454,466
Salaries and benefits	2,058,650	-	-	79,676	2,138,326
Total	$ 5,702,076	$ 651,193	$ 5,119	$ 234,404	$ 6,592,792

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal financial assistance	$ 72,028	$ -	$ 72,028
State categorical aid	2,250	-	2,250
Local sources	1,416,548	131,837	1,548,385
Total	$ 1,490,826	$ 131,837	$ 1,622,663

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, 2016	Additions/ Accretions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 48,997,084	$ 61,534,683	$ 4,756,929	$ 105,774,838	$ 8,760,075
Bond premiums	1,756,218	4,982,342	343,881	6,394,679	343,881
Subtotal	50,753,302	66,517,025	5,100,810	112,169,517	9,103,956
State school building loans	1,248,685	-	98,447	1,150,238	99,434
Accumulated vacation - net	546,456	-	36,447	510,009	-
Capital leases	2,565,534	-	124,041	2,441,493	134,776
Food program repayment	1,314,519	-	433,820	880,699	442,540
Net pension liability	77,039,960	13,530,015	-	90,569,975	-
Net OPEB obligation	9,652,306	2,406,424	882,782	11,175,948	-
Total	$ 143,120,762	$ 82,453,464	$ 6,676,347	$ 218,897,879	$ 9,780,706

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, 2016	Issued/ Accretion	Redeemed	Bonds Outstanding June 30, 2017
8/1/1997	8/1/2022	3.75-6.5%	$43,995,195	$ 29,510,184	$ 1,436,687	$ 4,325,000	$ 26,621,871
8/1/2002	8/1/2027	2.1-5%	21,999,968	1,681,900	97,996	301,929	1,477,967
6/14/2012	2/1/2027	3.0-5.0%	18,545,000	17,805,000	-	130,000	17,675,000
8/24/2016	8/1/2046	2.0-4.0%	60,000,000	-	60,000,000	-	60,000,000
				$ 48,997,084	$ 61,534,683	$ 4,756,929	$ 105,774,838

Debt Service Requirements to Maturity

The bonds mature through 2047 as follows:

Fiscal Year	Principal	Accreted Interest	Interest on Current Interest Bonds	Total
2018	$ 8,760,075	$ 3,664,925	$ 2,534,521	$ 14,959,521
2019	9,532,106	3,277,894	2,442,387	15,252,387
2020	3,944,665	3,585,335	2,280,588	9,810,588
2021	2,814,969	3,955,031	2,212,112	8,982,112
2022	2,958,213	4,221,787	2,143,363	9,323,363
2023-2027	14,101,248	4,528,751	9,582,237	28,212,236
2028-2032	4,255,000	-	7,937,488	12,192,488
2033-2037	8,020,000	-	6,747,500	14,767,500
2038-2042	13,010,000	-	4,963,850	17,973,850
2043-2047	19,615,000	-	2,090,900	21,705,900
Subtotal	87,011,276	$ 23,233,723	$ 42,934,946	$ 153,179,945
Accretion to date	18,763,562			
	$ 105,774,838			

State and Public School Building Loans

State school building loans outstanding as of June 30, 2017, are as follows:

Year Disbursed	Interest Rate	Maturity Due	Balance June 30, 2016	Issued	Repayments	Outstanding June 30, 2017
2014	1%	June 22, 2028	$ 1,248,685	$ -	$ 98,447	$ 1,150,238

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 99,434	$ 11,255	$ 110,689
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
2023-2027	533,163	20,282	553,445
2028	109,862	827	110,689
Subtotal	1,150,238	$ 67,341	$ 1,217,579

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, 2016	$ 2,565,534
Additions	-
Payments/deletions	124,041
Balance, June 30, 2017	$ 2,441,493

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Buildings
2018	$ 200,241
2019	207,703
2020	215,447
2021	223,483
2022	231,824
2023-2027	1,295,710
2028-2029	519,789
Total	2,894,197
Less: Amount Representing Interest	452,704
Present Value of Minimum Lease Payments	$ 2,441,493

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2017, include the following:

Buildings	$ 4,140,192
Accumulated Depreciation	(828,038)
	$ 3,312,154

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
2018		$ 438,159	$ 8,807	$ 446,966
2019		442,540	4,425	446,965
	Total	880,699	$ 13,232	$ 893,931

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $2,403,924, and contributions made by the District during the year were $882,782. Interest on the net OPEB obligation and adjustments to the annual required contribution were $(383,592) and $386,092, respectively, which resulted in an increase to the net OPEB obligation of $1,523,642. As of June 30, 2017, the net OPEB obligation was $11,175,948. See Note 15 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10- FUND BALANCES

Fund balances are composed of the following elements on June 30, 2017:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 75,000	$ -	$ -	$ -	$ -	$ 75,000
Stores inventories	14,314	-	-	-	30,588	44,902
Prepaid expenditures	74,072	7,083	8,375	-	1,048	90,578
Total Nonspendable	163,386	7,083	8,375	-	31,636	210,480
Restricted						
Educational programs	864,028	-	-	-	-	864,028
Food Program	-	-	-	-	1,970,408	1,970,408
Capital projects	-	57,145,471	15,123,403	-	2,009,939	74,278,813
Debt service	-	-	-	17,430,686	-	17,430,686
Total Restricted	864,028	57,145,471	15,123,403	17,430,686	3,980,347	94,543,935
Assigned						
Carryover of Unspent Funds	504,269	-	-	-	-	504,269
Future Language Arts Books Adoption	1,441,987	-	-	-	-	1,441,987
Food Service Audit Finding	893,932	-	-	-	-	893,932
Board Mandated Reserve	2,935,880	-	-	-	-	2,935,880
Other	-	-	-	-	376	376
Total Assigned	5,776,068	-	-	-	376	5,776,444
Unassigned						
Reserved for economic uncertainties	4,494,492	-	-	-	-	4,494,492
Total Unassigned	4,494,492	-	-	-	-	4,494,492
Total	$ 11,297,974	$ 57,152,554	$ 15,131,778	$ 17,430,686	$ 4,012,359	$ 105,025,351

NOTE 11 - 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, 2017, 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 $5 million. In addition, excess liability coverage is provided through Schools Excess Liability Fund (SELF) for claims in excess of $5 million and up to $20 million.

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

Workers' Compensation

For fiscal year 2017, 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 12 - 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, 2017, 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 Outflows of Resources	Collective Deferred Inflow of Resources	Collective Pension Expense
CalSTRS	$ 60,926,858	$ 9,955,600	$ 5,700,783	$ 5,358,786
CalPERS	29,643,117	8,708,276	1,131,718	3,694,692
Total	$ 90,569,975	$ 18,663,876	$ 6,832,501	$ 9,053,478

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically 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, 2017, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after 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	10.250%	9.205%
Required employer contribution rate	12.580%	12.580%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $4,963,989.

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

At June 30, 2017, 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	$	60,926,858
State's proportionate share of the net pension liability associated with the District		34,684,573
Total		95,611,431

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.0753 percent and 0.0820 percent, resulting in a net decrease in the proportionate share of 0.0067 percent.

For the year ended June 30, 2017, the District recognized pension expense of $5,358,786. In addition, the District recognized pension expense and revenue of $2,293,203 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,963,989	$ -
Net change in proportionate share of net pension liability	147,955	(4,214,542)
Difference between projected and actual earnings on pension plan investments	4,843,656	-
Differences between expected and actual experience in the measurement of the total pension liability	-	(1,486,241)
Total	$ 9,955,600	$ (5,700,783)

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
2018	$ (838,407)
2019	(838,407)
2020	1,871,554
2021	872,596
2022	(944,079)
Thereafter	(832,429)
Total	$ (709,172)

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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 7.60 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 (7.60 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 (6.60%)	$	87,687,489
Current discount rate (7.60%)	$	60,926,858
1% increase (8.60%)	$	38,701,786

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report) and CalPERS audited financial information are publically 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)	
Hire date	On or before December 31, 2012	On or after 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	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above and the total District contributions were $2,621,055.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $29,643,117. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.1501 percent and 0.1482 percent, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2017, the District recognized pension expense of $3,694,692. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,621,055	$ -
Net change in proportionate share of net pension liability	212,624	(241,119)
Difference between projected and actual earnings on pension plan investments	4,599,658	-
Differences between expected and actual experience in the measurement of the total pension liability	1,274,939	-
Changes of assumptions	-	(890,599)
Total	$ 8,708,276	$ (1,131,718)

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
2018	$ 712,819
2019	728,783
2020	2,313,432
2021	1,200,469
Total	$ 4,955,503

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	51%	5.71%
Global fixed income	20%	2.43%
Private equity	10%	6.95%
Real estate	10%	5.13%
Inflation sensitive	6%	3.36%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	$	44,227,696
Current discount rate (7.65%)	$	29,643,117
1% increase (8.65%)	$	17,498,585

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, 2017, 2016, and 2015 in the amount of $2,293,203, $2,612,325, and $2,012,741 respectively. The June 30, 2017 rate was 8.828 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 revenues and expenditures. Accordingly, these amounts have been recorded in the General Fund financial statements.

NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Retiree Health Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Redwood City School District. The Plan provides up to two-party medical, up to two-party dental, and single-party vision insurance benefits to eligible retirees. Membership of the Plan consists of 294 retirees currently receiving benefits and 744 active plan members. Stand alone financial statements are not prepared for the plan.

Redwood City Teacher's Association (RCTA) – Qualified employees are eligible to receive an additional District contribution towards healthcare coverage up to the single-party medical cap plus two-party dental and single party vision.

- For employees who retired on or before June 30, 2007, the medical cap is based on the least expensive of the four most common HMOs in the year of retirement. The dental and vision caps are the premiums in effect in the year of retirement.

- For employees who retired after June 30, 2007, 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.

Funding Policy

California School Employees Association (CSEA) – The District will pay the least expensive, single-party premium for medical coverage at the time of retirement, less the administrative fees. Single party dental coverage is provided for the retiree. As premiums change for medical and dental coverage over the years, the retiree covers the difference in the premiums.

Redwood City Administrators Association (RCAA) - Management retirees with at least 10 years of consecutive service will receive the least expensive health and dental insurance for the employee. An administrator with at least 15 consecutive years of service (the last five years of which must have been served as an administrator) would receive medical and dental insurance for the employee and his/her spouse, not to exceed the total of the fringe benefit during their final year of employment.

When benefits end at age 65, the District contribution is limited to $106.40 per month toward Public Employees' Medical and Hospital Care Act (PEMHCA) coverage only for the retiree's remaining lifetime. The District pays a 0.36 percent-of-premium administrative fee to CalPERS for each retiree (in addition to the $106.40, but included in the cap).

The contribution requirements of plan members and the District are established and may be amended by the District and the employees groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $882,782 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 2,403,924
Interest on net OPEB obligation	(383,592)
Adjustment to annual required contribution	386,092
Annual OPEB cost (expense)	2,406,424
Contributions made	(882,782)
Increase in net OPEB obligation	1,523,642
Net OPEB obligation, beginning of year	9,652,306
Net OPEB obligation, end of year	$ 11,175,948

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30	Actual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
2015	$ 1,996,082	$ 744,891	37%	$ 8,579,935
2016	1,972,459	900,088	46%	9,652,306
2017	2,406,424	882,782	37%	11,175,948

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Percent of Payroll (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2016	-	$ 24,806,331	$ 24,806,331	0%	$ 61,521,852	40%

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses). Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The cost trend rate used for the Dental program and Vision program was four percent each year. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2017, was 30 years.

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, 2017.

Litigation

The District is involved in various litigation 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, 2017.

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 this financial statements; however, fund transactions between the entity and the District are included in this statements. Audited financial statements are generally available from the entity.

During the year ended June 30, 2017, the District made payment of $2,476,570 to SMCSIG JPA for services received.

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD CITY SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 76,268,482	$ 78,178,056	$ 78,253,234	$ 75,178
Federal sources	5,116,836	5,691,219	5,113,753	(577,466)
Other state sources	8,595,425	8,477,122	7,363,704	(1,113,418)
Other local sources	6,173,297	7,692,687	7,425,339	(267,348)
Total Revenues	96,154,040	100,039,084	98,156,030	(1,883,054)
EXPENDITURES				
Current				
Certificated salaries	40,210,074	40,967,320	40,144,352	822,968
Classified salaries	16,912,472	17,089,431	16,780,264	309,167
Employee benefits	23,020,840	22,958,918	21,303,294	1,655,624
Books and supplies	3,513,386	3,434,275	3,130,701	303,574
Services and operating expenditures	14,053,937	16,292,484	15,310,217	982,267
Other outgo	486,106	444,452	149,323	295,129
Capital outlay	97,363	115,066	193,160	(78,094)
Debt service - interest	-	-	303,740	(303,740)
Total Expenditures	98,294,178	101,301,946	97,315,051	3,986,895
Excess (Deficiency) of Revenues Over Expenditures	(2,140,138)	(1,262,862)	840,979	2,103,841
Other Financing Sources (Uses):				
Transfers out	(446,966)	(446,966)	(547,617)	(100,651)
Net Financing Sources (Uses)	(446,966)	(446,966)	(547,617)	(100,651)
NET CHANGE IN FUND BALANCES	(2,587,104)	(1,709,828)	293,362	2,003,190
Fund Balance - Beginning	11,004,612	11,004,612	11,004,612	-
Fund Balance - Ending	$ 8,417,508	$ 9,294,784	$ 11,297,974	$ 2,003,190

See accompanying note to required supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Percent of Payroll (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2016	-	$ 24,806,331	$ 24,806,331	0%	$ 61,521,852	40%
July 1, 2014	-	19,109,729	19,109,729	0%	60,075,707	32%
July 1, 2012	-	16,478,349	16,478,349	0%	54,927,973	30%

See accompanying note to required supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

MEASUREMENT DATE, JUNE 30,	2016	2015	2014
CalSTRS			
District's proportion of the net pension liability	0.0753%	0.0820%	0.0817%
District's proportionate share of the net pension liability	$ 60,926,858	$ 55,191,692	$ 47,739,990
State's proportionate share of the net pension liability associated with the District	34,684,573	29,190,321	28,827,467
Total	$ 95,611,431	$ 84,382,013	$ 76,567,457
District's covered payroll	$ 38,794,317	$ 38,098,777	$ 36,659,641
District's proportionate share of the net pension liability as a percentage of its covered payroll	157.05%	144.86%	130.22%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1501%	0.1482%	0.1455%
District's proportionate share of the net pension liability	$ 29,643,117	$ 21,848,267	$ 16,515,190
District's covered payroll	$ 17,433,797	$ 16,637,732	$ 15,212,767
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.03%	131.32%	108.56%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

See accompanying note to required supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

FISCAL YEAR END, JUNE 30,	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 4,963,989	$ 4,158,188	$ 3,345,796
Contributions in relation to the contractually required contribution	(4,963,989)	(4,158,188)	(3,345,796)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 39,648,551	$ 38,794,317	$ 38,098,777
Contributions as a percentage of covered payroll	12.52%	10.72%	8.78%
CalPERS			
Contractually required contribution	$ 2,621,055	$ 2,065,230	$ 1,918,916
Contributions in relation to the contractually required contribution	(2,621,055)	(2,065,230)	(1,918,916)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 19,405,436	$ 17,433,797	$ 16,637,732
Contributions as a percentage of covered payroll	13.51%	11.85%	11.53%

See accompanying note to required supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

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 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 in Assumptions **–** The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 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, 2017

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	$ 177,410
Title I, Migrant Ed Summer Program	84.011	10005	19,673
Total Title I, Migrant Education			197,083
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	1,546,158
Title II, Part A, Improving Teacher Quality	84.367	14341	266,584
Title IV, 21st Century Community Learning Centers Program	84.287	14349	687,910
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	392,945
Special Education Cluster (IDEA):			
Basic Local Assistance, Part B	84.027	13379	1,526,528
Local Assistance, Private, Part B	84.027	10115	5,418
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	191,412
Preschool Grants, Part B, Sec 619	84.173	13430	61,967
Total Special Education Cluster			1,785,325
Total U.S. Department of Education and passed through the California Department of Education			4,876,005
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Care Services:			
Medi-Cal Billing Option	93.778	10013	114,793
Medi-Cal Administrative Activities	93.778	10060	122,955
Total Medi-Cal Program Cluster			237,748

REDWOOD CITY SCHOOL DISTRICT

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

U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Agriculture:			
Child Nutrition Cluster			
School Lunch Programs	10.555	13391	2,295,629
School Breakfast Needy	10.553	13526	873,986
School Breakfast Basic	10.553	13525	29,291
Meal Supplements	10.555	13524	169,543
Commodities [1]	10.555	13396	171,635
Total Child Nutrition Cluster			3,540,084
Child Nutrition - Centers And Family Day Care	10.558	13393	248,457
Total U.S. Department of Agriculture and passed through the California Department of Agriculture			3,788,541
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through Silicon Valley Community Foundation:			
Social Innovation Fund	94.019	N/A	282,941
Total Expenditures of Federal Awards			$ 9,185,235

[1] Amount not included in the financial statements.

REDWOOD CITY SCHOOL DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

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
Hilary Paulson	President	2018
Maria Diaz-Slocum	Vice President	2018
Dennis McBride	Clerk	2020
Janet Lawson	Trustee Representative to the San Mateo County Committee on School District Organization	2020
Alisa Greene MacAvoy	Legislative Network Member	2020

ADMINISTRATION

NAME	TITLE
John R. Baker, Ed. D.	Superintendent
Wendy Kelly	Executive Director of Human Resources & Educational Services 6-8
Linda Motes, Ed. D.	Executive Director of Educational Services K-5 & Director of English Learner Services
Wael Saleh, CPA, MBA	Chief Business Official

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,265.82	3,265.50
Fourth through sixth	2,524.46	2,523.59
Seventh and eighth	1,800.13	1,795.98
Total Regular ADA	7,590.41	7,585.07
Extended Year Special Education		
Transitional kindergarten through third	9.02	9.02
Fourth through sixth	6.48	6.48
Seventh and eighth	2.76	2.76
Total Extended Year	18.26	18.26
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.35	1.60
Fourth through sixth	6.39	6.41
Seventh and eighth	14.55	13.99
Total Special Education,	22.29	22.00
Extended Year, Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.07	1.60
Fourth through sixth	0.16	0.16
Seventh and eighth	0.37	0.37
Total Special Education,	0.60	2.13
Total ADA	7,631.56	7,627.46

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	40,725	180	Complied
Grade 1 - 3				
Grade 1	50,400	50,400	180	Complied
Grade 2	50,400	50,400	180	Complied
Grade 3	50,400	50,400	180	Complied
Grade 4 - 6				
Grade 4	54,000	54,042	180	Complied
Grade 5	54,000	54,042	180	Complied
Grade 6	54,000	54,090	180	Complied
Grade 7 - 8				
Grade 7	54,000	54,090	180	Complied
Grade 8	54,000	54,090	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, 2017

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, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND				
Revenues	$ 92,478,261	$ 98,156,030	$ 101,763,721	$ 91,062,116
Other sources and transfers in	-	-	-	200,000
Total revenues and other sources	92,478,261	98,156,030	101,763,721	91,262,116
Expenditures	97,632,583	97,315,051	96,925,973	89,893,733
Other uses and transfers out	446,966	547,617	-	-
Total expenditures and other uses	98,079,549	97,862,668	96,925,973	89,893,733
INCREASE (DECREASE) IN FUND BALANCE	$ (5,601,288)	$ 293,362	$ 4,837,748	$ 1,368,383
ENDING FUND BALANCE	$ 5,696,686	$ 11,297,974	$ 11,004,612	$ 6,166,864
AVAILABLE RESERVES [2]	$ 2,942,386	$ 4,494,492	$ 2,907,780	$ 4,408,196
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	4.59%	3.00%	4.90%
LONG-TERM OBLIGATIONS	$ 209,117,173	$ 218,897,879	$ 143,120,762	$ 131,302,877
K-8 AVERAGE DAILY ATTENDANCE AT P-2	7,340	7,632	8,026	8,449

The General Fund balance has increased by $5,131,110 over the past two years. The fiscal year 2017-18 budget projects a decrease of $5,601,288. 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 the past three years but anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by $87,595,002 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.

Average daily attendance has decreased by 817 over the past two years. A decrease of 292 ADA is anticipated during fiscal year 2017-18 due mostly to anticipated changes related to the changes in charter schools and declining enrollment.

[1] Budget 2018 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, 2017

Name of Charter School	Included in Audit Report
Connect Community Charter	No
KIPP Ecelencia College Preparatory	No
Rocketship Charter School	No

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
ASSETS					
Deposits and investments	$ 204,536	$ 1,677,563	$ 12,017	$ 2,004,592	$ 3,898,708
Receivables	251,782	720,207	-	5,347	977,336
Prepaid expenses	-	1,048	-	-	1,048
Stores inventories	-	30,588	-	-	30,588
Total Assets	$ 456,318	$ 2,429,406	$ 12,017	$ 2,009,939	$ 4,907,680
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 81,289	$ 152,451	$ 664	$ -	$ 234,404
Due to other funds	243,789	273,938	11,353	-	529,080
Unearned revenue	130,864	973	-	-	131,837
Total Liabilities	455,942	427,362	12,017	-	895,321
Fund Balances:					
Nonspendable	-	31,636	-	-	31,636
Restricted	-	1,970,408	-	2,009,939	3,980,347
Assigned	376	-	-	-	376
Unassigned	-	-	-	-	-
Total Fund Balances	376	2,002,044	-	2,009,939	4,012,359
Total Liabilities and Fund Balances	$ 456,318	$ 2,429,406	$ 12,017	$ 2,009,939	$ 4,907,680

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, 2017

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
REVENUES					
Federal sources	$ 282,941	$ 3,616,906	$ -	$ -	$ 3,899,847
Other State sources	3,607,525	271,580	-	-	3,879,105
Other local sources	528,972	690,604	(357)	18,938	1,238,157
Total Revenues	4,419,438	4,579,090	(357)	18,938	9,017,109
EXPENDITURES					
Current					
Instruction	4,108,816	-	-	-	4,108,816
School site administration	494,916	-	-	-	494,916
Pupil services:					
Food services	-	4,452,636	-	-	4,452,636
Administration:					
All other administration	198,422	169,416	-	-	367,838
Plant services	45,314	3,400	88,290	-	137,004
Total Expenditures	4,847,468	4,625,452	88,290	-	9,561,210
Excess (Deficiency) of Revenues Over Expenditures	(428,030)	(46,362)	(88,647)	18,938	(544,101)
Other Financing Sources (Uses)					
Transfers in	-	547,617	88,647	-	636,264
Net Financing Sources (Uses)	-	547,617	88,647	-	636,264
NET CHANGE IN FUND BALANCES	(428,030)	501,255	-	18,938	92,163
Fund Balance - Beginning	428,406	1,500,789	-	1,991,001	3,920,196
Fund Balance - Ending	$ 376	$ 2,002,044	$ -	$ 2,009,939	$ 4,012,359

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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:		$ 9,013,600
Commodities are not reported on the financial statements	10.555	171,635
Total expenditures reported on the schedule of expenditures of federal awards		$ 9,185,235

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, 2017, 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 15, 2017.

Internal Control Over Financial Reporting

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

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

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

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings questioned costs as item 2017-001.

The District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings questioned costs. The 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.

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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Redwood City School District's (District) major Federal programs for the year ended June 30, 2017. 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, 2017.

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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

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 *2016-2017 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, 2017.

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 *2016-2017 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 2017-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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, 2017.

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, 2017.

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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
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 attendance program, therefore, we did not perform procedures related to 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 school programs; therefore, we did not perform any procedures related to juvenile court schools or middle or early college high school programs.

The District did not spend any clean energy act funds in the current year, therefore, we did not perform any procedures related to clean energy act funds.

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 District does not have any charter schools; therefore, we did not perform any procedures for charter school programs.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

REDWOOD CITY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

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
10.553, 10.555	Child Nutrition Cluster
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, 2017

None Reported.

None Reported.

REDWOOD CITY SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

2017-001 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 as required by EC Section 41372.

Questioned costs
There were no questioned costs associated with this finding. The District requested a waiver on September 26, 2017 pursuant to EDS 41342. Acceptance of the waiver is pending as of the date of this report.

Context
The District spent 57.75% of its expenditures on the current expense of education, but was required to spend 60%, creating a shortage of 2.25%. Current expense of education of $84,129,360 times the percent short of 2.25% equals $1,892,911.

Effect
The District is no longer in compliance with Education Code Section 41372, requiring a minimum threshold of expenditures on costs of education for classrooms. The District could be subject to financial penalties for noncompliance.

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 has applied for a waiver for this requirement. 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.

REDWOOD CITY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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

2016-001 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, 2016.

Current Status
Not implemented, see 2017-001.