REDWOOD CITY
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2015

REDWOOD CITY SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Redwood City School District
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redwood City School District (the District) as of and for the year ended June 30, 2015, 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 *2014-15 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Redwood City School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redwood City School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on 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, 2015, on our consideration of the Redwood City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Redwood City School District's internal control over financial reporting and compliance.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2015

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. 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 $(33.3) million for the fiscal year ended June 30, 2015. Of this amount, ($80.7) 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	
	2015	Restated 2014
Assets		
Current and other assets	$ 34,577	$ 53,602
Capital assets	86,237	88,924
Total Assets	**120,814**	**142,526**
Deferred Outflows	**5,265**	**4,749**
Liabilities		
Current liabilities	8,729	32,362
Long-term obligations	131,303	149,431
Total Liabilities	**140,032**	**181,793**
Deferred Inflows	**18,345**	**1,218**
Net Position		
Net investment in capital assets	29,535	27,977
Restricted	18,839	18,382
Unrestricted	(80,672)	(82,095)
Total Net Position	**$ (32,298)**	**$ (35,736)**

The ($80.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and includes $64.3M of unfunded pension liabilities and $8.6M 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* on page 15. 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	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 696	$ 695
Operating grants and contributions	22,092	19,708
General revenues:		
Federal and State aid not restricted to specific purposes	45,987	62,723
Property taxes	36,310	12,909
Other general revenues	6,240	5,354
Total Revenues	**111,325**	**101,389**
Expenses		
Instruction and Instruction-related	79,805	74,911
Student support services	10,469	8,632
Administration	5,188	4,074
Maintenance and operations	8,990	8,598
Other	4,653	4,494
Total Expenses	**109,105**	**100,709**
Change in Net Position	**$ 2,220**	**$ 680**

Governmental Activities

As reported in the *Statement of Activities* on page 15 the cost of all of District's governmental activities this year was $109.1 million. However, the amount that taxpayers ultimately financed for these activities through local taxes was only $36.3 million because the cost was paid by those who benefited from the programs ($0.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($22.1 million). The District paid for the remaining "public benefit" portion of its governmental activities with $46.0 million in Federal and State funds and $6.2 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	
	2015	2014	2015	2014
Instruction	$ 66,840	$ 63,153	$ 55,146	$ 53,246
Instruction-related	12,965	11,758	11,060	9,312
Pupil Services	10,469	8,632	5,344	3,867
Administration	5,188	4,074	4,408	3,488
Plant Services	8,990	8,598	8,985	8,537
Other	4,653	4,494	1,374	1,856
Totals	**$ 109,105**	**$ 100,709**	**$ 86,317**	**$ 80,306**

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of $26.7 million, which is an increase of $4.5 million from last year (Table 4).

Table 4

(Amounts in thousands)	Fund Balance	
	2015	2014
General	$ 6,167	$ 4,798
Child Development	63	-
Cafeteria	1,631	1,263
Building	-	8
Capital Facilities	9,852	7,483
Special Reserve for Capital Outlay Projects	1,978	2,173
Bond Interest and Redemption	7,054	6,496
Totals	**$ 26,745**	**$ 22,221**

The primary reasons for these changes are:

a) The General Fund is the District's principal operating fund. The fund balance in the General Fund increased from $4.8 million to $6.1 million due to revenues exceeding expenditures.
b) The Capital Facilities fund balance has increased by $2.4 million due to increases in developer fees and receipt of RDA funds.
c) The Bond Interest and Redemption Fund balance has increased by $0.6 million due to collection of assessed amounts for bond repayments.

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 2015. (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 61.)

Changes between our 2014-15 original and final budgets were as follows:

a) Budgeted revenues increased by $8 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 entitlements become available from the Federal, State and Local agencies.

b) Budgeted expenditures increased by $7.3 million due to the following:
    1. Adjustments to expenditures were made as revenues increased and when carryovers were added.
    2. Salary increases were negotiated and implemented after the original budget was approved.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $86.2 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $2.7 million, or 3 percent, from last year (Table 5).

Table 5

(Amounts in thousands)	Governmental Activities	
	2015	2014
Land and Construction in Progress	$ 1,442	$ 1,442
Buildings and improvements	82,301	84,853
Equipment	2,494	2,629
Totals	**$ 86,237**	**$ 88,924**

We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $131.3 million in long-term obligations versus $149.4 million last year, a decrease of $18.1 million or 12 percent. Long-term obligations consisted of:

Table 6

(Amounts in thousands)	Governmental Activities	
	2015	Restated 2014
General obligation bonds (financed with property taxes)	$ 52,695	$ 56,105
State school building loans	1,346	1,440
Accumulated vacation - net	456	315
Capital lease payable	2,670	2,747
Qualified Zone Academy Bonds	-	662
Food program reimbursement	1,301	-
Other post employment benefit	8,580	7,329
Net pension liability	64,255	80,833
Totals	**$ 131,303**	**$ 149,431**

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 $52.7 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 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the year 2015-16, 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 2014-15 of 8,841 represents decrease of 98 students from the original projection of 8,939. Enrollment for projected years is 8,100 and 7,838 respectively. The main reason of the reduction in the out years is due to the start of two new independent Charter Schools.

b) Average Daily Attendance ("ADA") is projected at 8,487 for the current year and 7,776 and 7,524 for the projected years respectively, which represents a 96.0% attendance rate.
LCFF/Revenue Limit income for the projected years is based on ADA of 8,024 and 7,698, respectively. Cost of Living Adjustments ("COLA") for the projected years is 2.1% and 2.3%, respectively.

c) Due to the Uncertainty about the status of Medical Administrative Activities ("MAA"), no revenue is budgeted in the current or 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 $242,000 is included in the current year, and future years. The current year also reflects one-time receipts of $580,000 of prior year Mandated Cost reimbursements.

f) There are 2.1% and 2.3% COLA projections for the State revenues in the future years.

g) K-3 Class Size Reduction (CSR) is now part of the LCFF model of funding.

h) Effective this year, Tier III programs are part of the LCFF revenues.

i) Special Education funding under AB602 are projected with 2.1% and 2.3% 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.

k) The Interfund Transfer-In of $200,000 from Fund 25 (Redevelopment Agency) is for one-time contribution to the general fund to support major repair and maintenance.

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	2014/15	2015/16	2016/17
K-3	30:1	30:1	30:1
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 $599,912 (RCTA - $359,992, CSEA - $148,507, RCAA - $91,413).

c) Health benefit premiums are projected to increase by about 10% 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 10% 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, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 29,542,783
Receivables	4,953,421
Prepaid expenses	1,839
Stores inventories	78,995
Capital assets not depreciated	1,441,595
Capital assets, net of accumulated depreciation	84,795,277
Total Assets	120,813,910
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	5,264,712
Total Deferred Outflows of Resources	5,264,712
LIABILITIES	
Accounts payable	6,956,488
Interest payable	898,109
Unearned revenue	874,688
Current portion of long-term obligations other than pensions	5,181,538
Noncurrent portion of long-term obligations other than pensions	61,866,159
Aggregate net pension liability	64,255,180
Total Liabilities	140,032,162
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	18,344,511
NET POSITION	
Net investment in capital assets	29,534,968
Restricted for:	
Educational programs	1,145,066
Debt service	6,155,797
Capital projects	9,843,621
Other activities	1,694,318
Unrestricted	(80,671,821)
Total Net Position	$ (32,298,051)

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

REDWOOD CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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	$ 66,840,364	$ 157,332	$ 11,536,496	$ (55,146,536)
Instruction-related activities:				
Supervision of instruction	4,107,427	-	1,088,825	(3,018,602)
Instructional library, media, and	1,378,437	-	26,927	(1,351,510)
School site administration	7,478,978	25,015	764,186	(6,689,777)
Pupil services:				
Home-to-school transportation	1,274,096	-	18,989	(1,255,107)
Food services	5,781,263	472,526	3,978,901	(1,329,836)
All other pupil services	3,413,517	-	654,054	(2,759,463)
Administration:				
Data processing	348,502	-	681,631	333,129
All other administration	4,839,407	35,672	62,171	(4,741,564)
Plant services	8,990,423	4,955	-	(8,985,468)
Community services	1,447,578	-	792,248	(655,330)
Interest on long-term obligations	2,524,116	-	-	(2,524,116)
Other outgo	680,994	-	2,487,827	1,806,833
Total Governmental Activities	$ 109,105,102	$ 695,500	$ 22,092,255	(86,317,347)
General revenues and subventions:				
Property taxes, levied for general purposes				27,720,325
Property taxes, levied for debt service				6,106,894
Taxes levied for other specific purposes				2,483,109
Federal and State aid not restricted to specific purposes				45,987,182
Interest and investment earnings				673,631
Miscellaneous				5,566,209
Subtotal, General Revenues				88,537,350
Change in Net Position				2,220,003
Net Position - Beginning, as restated				(34,518,054)
Net Position - Ending				$ (32,298,051)

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

REDWOOD CITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 9,506,686	$ 9,538,981	$ 7,043,251	$ 3,453,865	$ 29,542,783
Receivables	4,036,383	44,402	10,655	861,981	4,953,421
Due from other funds	723,907	477,530	-	414	1,201,851
Prepaid expenses	1,839	-	-	-	1,839
Stores inventories	23,218	-	-	55,777	78,995
Total Assets	$ 14,292,033	$ 10,060,913	$ 7,053,906	$ 4,372,037	$ 35,778,889
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 6,779,590	$ 8,500	$ -	$ 168,398	$ 6,956,488
Due to other funds	477,530	200,093	-	524,228	1,201,851
Unearned revenue	868,049	-	-	6,639	874,688
Total Liabilities	8,125,169	208,593	-	699,265	9,033,027
Fund Balances:					
Nonspendable	91,191	-	-	65,777	156,968
Restricted	1,145,066	9,852,320	7,053,906	3,606,995	21,658,287
Assigned	522,411	-	-	-	522,411
Unassigned	4,408,196	-	-	-	4,408,196
Total Fund Balances	6,166,864	9,852,320	7,053,906	3,672,772	26,745,862
Total Liabilities and Fund Balances	$ 14,292,033	$ 10,060,913	$ 7,053,906	$ 4,372,037	$ 35,778,889

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

REDWOOD CITY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 26,745,862**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
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	$ 150,409,559	
Accumulated depreciation is	(64,172,687)	
		86,236,872
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		5,264,712
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.		(898,109)
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.		(18,344,511)
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	52,694,723	
Net Other Postemployment Benefits (OPEB)	8,579,935	
State School Energy Loan	1,346,120	
Capital Lease Payable	2,669,760	
Compensated Absences (vacations)	455,691	
Qualified Zone Academy Bonds	1,301,468	
Net pension liability	64,255,180	
Total Long-Term Obligations		(131,302,877)
Total Net Position - Governmental Activities		**$ (32,298,051)**

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, 2015

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	$ 71,672,680	$ -	$ -	$ -	$ 71,672,680
Federal sources	5,146,199	-	-	4,259,874	9,406,073
Other State sources	6,392,731	-	23,033	2,730,358	9,146,122
Other local sources	7,850,506	3,099,065	6,114,886	1,552,127	18,616,584
Total Revenues	91,062,116	3,099,065	6,137,919	8,542,359	108,841,459
EXPENDITURES					
Current					
Instruction	57,503,519	-	-	2,718,619	60,222,138
Instruction-related activities:					
Supervision of instruction	3,843,048	-	-	-	3,843,048
Instructional library, media and technology	1,289,713	-	-	-	1,289,713
School site administration	6,639,928	-	-	357,657	6,997,585
Pupil services:					
Home-to-school transportation	1,196,759	-	-	-	1,196,759
Food services	-	-	-	4,107,677	4,107,677
All other pupil services	3,193,803	-	-	-	3,193,803
Administration:					
Data processing	327,349	-	-	-	327,349
All other administration	3,871,781	257,968	-	394,261	4,524,010
Plant services	8,329,784	43,958	-	152,945	8,526,687
Facility acquisition and construction	1,052,897	147,652	-	-	1,200,549
Community services	1,354,403	-	-	-	1,354,403
Other outgo	680,994	-	-	-	680,994
Debt service					
Principal	198,964	-	4,375,000	662,071	5,236,035
Interest and other	410,791	-	1,204,800	-	1,615,591
Total Expenditures	89,893,733	449,578	5,579,800	8,393,230	104,316,341
Excess (Deficiency) of Revenues Over Expenditures	1,168,383	2,649,487	558,119	149,129	4,525,118
Other Financing Sources (Uses)					
Transfers in	200,000	-	-	80,614	280,614
Transfers out	-	(280,614)	-	-	(280,614)
Net Financing Sources (Uses)	200,000	(280,614)	-	80,614	-
NET CHANGE IN FUND BALANCES	1,368,383	2,368,873	558,119	229,743	4,525,118
Fund Balance - Beginning	4,798,481	7,483,447	6,495,787	3,443,029	22,220,744
Fund Balance - Ending	$ 6,166,864	$ 9,852,320	$ 7,053,906	$ 3,672,772	$ 26,745,862

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

REDWOOD CITY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		$ 4,525,118
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. The amount by which depreciation exceeds capital outlays in the period is:		
Depreciation expense	$ (3,997,557)	
Capital outlays	1,315,492	(2,682,065)
Proceeds received from new long term debts are revenues in the governmental funds, increase long term liabilities in the statement of net assets and do not affect the statement of activities.		
Food serve grant liability	(1,301,468)	(1,301,468)
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		(141,168)
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		(1,184,527)
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.		177,803
In the statement of Activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.		(1,996,082)
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.		744,891
Repayments of long-term debt obligations including general obligation bonds, state school building loans, qualified zone academy bonds, and capital lease is an expenditure 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.		5,208,588
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.		(1,058,881)
Change in Net Position of Governmental Activities		**$ 2,220,003**

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

REDWOOD CITY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Agency Funds
ASSETS	
Deposits and investments	$ 247,556
Total Assets	$ 247,556
LIABILITIES	
Due to student groups	$ 247,556
Total Liabilities	$ 247,556

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Redwood City School District (the 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.

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).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to 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 State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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).

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.

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 should be 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. Non-major 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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose 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, if measurable, and typically paid within 90 days. 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, 2015, 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 the current year pension contributions.

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 the difference between actual and projected rate of return on pension plan investments.

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.

Current Loans

Current loans consisted of amounts outstanding at June 30, 2014, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability was paid off by June 30, 2015.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's 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 is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

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. The government wide financial statements report $(32,298,051) of net position, of which $18,838,802 is restricted by enabling legislation.

Interfund Activity

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

Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $76,083,341. The decrease results from recognizing the net pension liability, net of related deferred inflows and outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Governmental activities	$ 29,542,783
Fiduciary funds	247,556
Total Deposits and Investments	$ 29,790,339

Deposits and investments as of June 30, 2015 consisted of the following:

Cash on hand and in banks	$ 376,049
Cash in revolving	76,134
Investments	29,338,156
Total Deposits and Investments	$ 29,790,339

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.

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.

General Authorizations

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

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

Interest Rate Risk

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 District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule.

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	$ 29,335,222	1.63

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 County Pool are not required to be rated, nor have they been rated as of June 30, 2015.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was approximately $310,000 with a carrying amount of $452,000. The entire bank balance was insured and collateralized with securities held by pledging financial institution’s trust department or agent, but not in the name of the District.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 1,278,203	$ -	$ -	$ 623,594	$ 1,901,797
State Government					
Apportionment	40,427	-	-	-	40,427
Categorical aid	665,058	-	-	161,965	827,023
Lottery	768,956	-	-	-	768,956
Local Government					
Interest	18,486	16,176	10,655	8,705	54,022
Other local sources	1,265,253	28,226	-	67,717	1,361,196
Total	$ 4,036,383	$ 44,402	$ 10,655	$ 861,981	$ 4,953,421

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 1,441,595	$ -	$ -	$ 1,441,595
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	1,441,595	-	-	1,441,595
Capital Assets Being Depreciated:				
Land Improvements	14,576,108	81,977	-	14,658,085
Buildings and Improvements	127,727,534	1,118,573	-	128,846,107
Furniture and Equipment	5,356,949	114,942	8,119	5,463,772
Total Capital Assets Being Depreciated	147,660,591	1,315,492	8,119	148,967,964
Total Capital Assets	149,102,186	1,315,492	8,119	150,409,559
Less Accumulated Depreciation:				
Land Improvements	8,148,540	700,814	-	8,849,354
Buildings and Improvements	49,301,896	3,051,026	-	52,352,922
Furniture and Equipment	2,727,716	245,717	3,022	2,970,411
Total Accumulated Depreciation	60,178,152	3,997,557	3,022	64,172,687
Governmental Activities Capital Assets, Net	$ 88,924,034	$ (2,682,065)	$ 5,097	$ 86,236,872

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

Governmental Activities		
Instruction	$	2,523,117
Supervision of instruction		155,049
Instructional library, media, and technology		52,034
School site administration		282,320
Home-to-school transportation		48,095
Food services		218,234
All other pupil services		128,855
Community services		54,644
All other general administration		182,680
Centralized data processing		13,155
Plant services		339,374
Total Depreciation Expenses Governmental Activities	$	3,997,557

NOTE 5 - 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, 2015, between major and non-major governmental funds, are as follows:

	Due To			
Due From	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 200,093	$ 523,814	$ 723,907
Capital Facilities Fund	477,530	-	-	477,530
Non-Major Governmental Funds	-	-	414	414
Total	$ 477,530	$ 200,093	$ 524,228	$ 1,201,851

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, 2015, consisted of the following:

	Transfer To		
Transfer From	General Fund	Non-Major Governmental Funds	Total
Capital Facilities Fund	$ 200,000	$ 80,614	$ 280,614
Total	$ 200,000	$ 80,614	$ 280,614

Capital Facilities Fund transferred to General Fund for facilities projects	$ 200,000
Capital Facilities Fund transferred to Deferred Maintenance Fund for maintenance projects.	80,614
Total	$ 280,614

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 4,684,664	$ 8,472	$ 123,132	$ 4,816,268
Apportionment	1,921,125	-	-	1,921,125
Salaries and benefits	173,801	28	45,266	219,095
Total	$ 6,779,590	$ 8,500	$ 168,398	$ 6,956,488

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 100,923	$ -	$ 100,923
Other local	767,126	6,639	773,765
Total	$ 868,049	$ 6,639	$ 874,688

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 01, 2014	Additions/ Accretions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 53,993,623	$ 1,142,079	$ 4,375,000	$ 50,760,702	$ 4,368,252
Add: Bond premiums	2,111,824	-	177,803	1,934,021	177,806
Subtotal	56,105,447	1,142,079	4,552,803	52,694,723	4,546,058
State School Building loans	1,439,914	-	93,794	1,346,120	97,434
Accumulated vacation - net	314,523	141,168	-	455,691	-
Qualified Zone Academy Bonds	662,071	-	662,071	-	-
Capital leases	2,747,483	-	77,723	2,669,760	104,226
Food program repayment	-	1,301,468		1,301,468	433,820
Net OPEB Obligation	7,328,744	1,996,082	744,891	8,579,935	-
Net pension liability		64,255,180	-	64,255,180	
Total	$ 68,598,182	$ 68,835,977	$ 6,131,282	$ 131,302,877	$ 5,181,538

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 and qualified zone academy bonds are paid from the Special Reserve for Capital Outlay Projects Fund. The food program repayments are made by the General Fund. 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, 2014	Issued/ Accretion	Redeemed	Bonds Outstanding June 30, 2015
8/1/1997	8/1/2022	3.75-6.5%	$ 43,995,195	$ 34,789,751	$ 1,315,785	$ 3,565,000	$ 32,540,536
8/1/2002	8/1/2027	2.1-5%	21,999,968	1,153,872	-	863,706	290,166
6/14/2012	2/1/2027	3.0-5.0%	18,545,000	18,050,000	-	120,000	17,930,000
				$ 53,993,623	$ 1,315,785	$ 4,548,706	$ 50,760,702

Debt Service Requirements to Maturity

The bonds mature through 2028 as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2016		$ 4,368,252	$ 1,004,338	$ 5,372,590
2017		4,756,929	792,988	5,549,917
2018		1,960,075	679,663	2,639,738
2019		2,532,106	656,363	3,188,469
2020		2,644,665	612,563	3,257,228
2021-2025		12,699,432	2,049,688	14,749,120
2026-2028		7,175,000	302,847	7,477,847
	Subtotal	36,136,459	$ 6,098,450	$ 42,234,909
	Accretion to date	14,624,243		
		$ 50,760,702		

State and Public School Building Loans

State school building loans outstanding as of June 30, 2015, are as follows:

Year Disbursed	Interest Rate	Maturity Due	Balance June 30, 2014	Issued	Repayments	Outstanding June 30, 2015
2014	1%	June 22, 2028	$ 1,439,914	$ -	$ 93,794	$ 1,346,120

Fiscal Year		Principal	Interest to Maturity	Total
2016		$ 97,434	$ 13,254	$ 110,688
2017		98,447	12,243	110,690
2018		99,434	11,255	110,689
2019		100,431	10,258	110,689
2020		101,413	9,276	110,689
2021-2025		522,633	30,813	553,446
2026-2028		326,328	5,738	332,066
	Subtotal	1,346,120	$ 92,837	$ 1,438,957

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.*

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $455,691.

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:

	Office Equipment	Buildings	Total
Balance, July 1, 2014	$ 87,757	$ 2,659,726	$ 2,747,483
Additions	-	-	-
Payments/deletions	87,757	(10,034)	77,723
Balance, June 30, 2015	$ -	$ 2,669,760	$ 2,669,760

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Office Equipment	Buildings	Total
2016	$ -	$ 176,373	$ 176,373
2017	-	193,051	193,051
2018	-	200,241	200,241
2019	-	207,703	207,703
2020	-	215,447	215,447
2021-2025	-	1,204,041	1,204,041
2026-2028	-	1,066,766	1,066,766
Total	-	3,263,621	3,263,621
Less: Amount Representing Interest	-	593,861	593,861
Present Value of Minimum Lease Payments	$ -	$ 2,669,760	$ 2,669,760

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2015, include the following:

Buildings	$ -	$ 4,140,192	$ 4,140,192
Equipment	420,826	-	420,826
Accumulated Depreciation	(420,826)	(207,010)	(627,836)
	$ -	$ 3,933,182	$ 3,933,182

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
2016		$ 420,769	$ 13,145	$ 433,914
2017		438,159	8,807	446,966
2018		442,540	4,425	446,965
	Subtotal	1,301,468	$ 26,377	$ 1,327,845

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution (ARC) was $2,126,754, for the year ended June 30, 2015, and the contribution made by the District was $744,891. Interest on the net OPEB obligation and the adjustment to the annual required contribution were $293,850 and $423,822, respectively, which resulted in an increase to the net OPEB obligation of $1,251,191. As of June 30, 2015, the net OPEB obligation was $8,579,935. See Note 14 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 66,134	$ -	$ -	$ 10,000	$ 76,134
Stores inventories	23,218	-	-	55,777	78,995
Prepaid expenditures	1,839	-	-	-	1,839
Total Nonspendable	91,191	-	-	65,777	156,968
Restricted					
Educational purpose	1,145,066	-	-	62,874	1,207,940
Other activities	-	-	-	1,565,667	1,565,667
Capital projects	-	9,852,320	-	1,978,454	11,830,774
Debt service	-	-	7,053,906	-	7,053,906
Total Restricted	1,145,066	9,852,320	7,053,906	3,606,995	21,658,287
Assigned					
Site carryovers	522,411	-	-	-	522,411
Total Assigned	522,411	-	-	-	522,411
Unassigned					
Reserved for economic uncertainties	2,696,812	-	-	-	2,696,812
Remaining unassigned	1,711,384	-	-	-	1,711,384
Total Unassigned	4,408,196	-	-	-	4,408,196
Total	$ 6,166,864	$ 9,852,320	$ 7,053,906	$ 3,672,772	$ 26,745,862

NOTE 10 - 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, 2015, 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 significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015, 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 11 - 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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 47,739,990	$ 3,345,796	$ 11,755,882	$ 4,121,503
CalPERS	16,515,190	1,918,916	6,588,629	1,467,863
Total	$ 64,255,180	$ 5,264,712	$ 18,344,511	$ 5,589,366

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, 2013, 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, 2015, 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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

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, 2015, are presented above and the District's total contributions were $3,345,796.

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

At June 30, 2015, 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	$	47,739,990
State's proportionate share of the net pension liability associated with the District		28,827,467
Total	$	76,567,457

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.0817 percent.

For the year ended June 30, 2015, the District recognized pension expense of $4,121,503 and revenue of $2,488,741 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,345,796	$ -
Differences between projected and actual earnings on pension plan investments	-	11,755,882
Total	$ 3,345,796	$ 11,755,882

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 2,938,970
2017	2,938,970
2018	2,938,971
2019	2,938,971
Total	$ 11,755,882

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on 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%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

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%)	$ 74,414,159
Current discount rate (7.60%)	$ 47,739,990
1% increase (8.60%)	$ 25,498,581

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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. 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)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

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, 2015, are presented above and the total District contributions were $1,918,196.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $16,515,190. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.1455 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,467,863. At June 30, 2015, 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	$ 1,918,916	$ -
Differences between projected and actual earnings on pension plan investments		6,588,629
Total	$ 1,918,916	$ 6,588,629

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,647,157
2017	1,647,157
2018	1,647,157
2019	1,647,158
Total	$ 6,588,629

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 (6.50%)	$	28,971,412
Current discount rate (7.50%)	$	16,515,190
1% increase (8.50%)	$	6,106,760

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, 2015, 2014, and 2013 in the amount of $2,012,741, $2,038,786, and $1,905,115, respectively. The June 30, 2015 rate was 5.679 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. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund Budgetary Comparison Schedule.*

NOTE 12 - 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, 2015.

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, 2015.

NOTE 13 - 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, 2015, the District made payment of $3,434,306 to SMCSIG JPA for services received.

NOTE 14 - 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 322 retirees currently receiving benefits and 760 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.

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).

Contribution Information

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 2014-2015, the District contributed $744,891 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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	$ 2,126,754
Interest on net OPEB obligation	293,150
Adjustment to annual required contribution	(423,822)
Annual OPEB cost (expense)	1,996,082
Contributions made	(744,891)
Increase in net OPEB obligation	1,251,191
Net OPEB obligation, beginning of year	7,328,744
Net OPEB obligation, end of year	$ 8,579,935

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 was as follows:

Year Ended June 30	Actual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
2013	$ 1,885,887	$ 755,538	40%	$ 6,178,074
2014	1,885,887	708,576	38%	7,328,744
2015	1,996,082	744,891	37%	8,579,935

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 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, 2012, 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, 2015, was 30 years.

NOTE 15 – TAX AND REVENUE ANTICIPATION NOTES

On October 30, 2013, the District issued $10,000,000 of Tax and Revenue Anticipated Notes. The notes mature on October 31, 2014, with an interest rate of 3%. On March 19, 2013, the District issued $12,275,000 of Tax and Revenue Anticipation Notes. The notes matured on November 29, 2013 with an interest rate of 3%. The notes were sold to supplement cash flows. The changes in the District's Tax and Revenue Anticipation Notes obligations during the year consisted of the following:

Issue Date	Maturity Date	Interst Rate	Original Issue	Outstanding July 01, 2014	Additions	Payments	Outstanding June 30, 2015
10/30/2013	10/31/2014	3.00%	10,000,000	$ 10,000,000	$ -	$ 10,000,000	$ -

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68 and 71, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 41,565,291
Change in accounting principles to conform to GASB Statement No. 68 and 71	(76,083,345)
Net Positions - Beginning as Restated	$ (34,518,054)

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD CITY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Formula	$ 70,771,111	$ 71,283,035	$ 71,672,680	$ 389,645
Federal sources	4,344,990	5,832,896	5,146,199	(686,697)
Other state sources	3,774,331	6,040,978	6,392,731	351,753
Other local sources	4,880,333	8,657,151	7,850,506	(806,645)
Total Revenues[1]	83,770,765	91,814,060	91,062,116	(751,944)
EXPENDITURES				
Current				
Certificated salaries	37,359,867	37,764,950	37,759,831	5,119
Classified salaries	14,528,728	14,898,684	14,897,621	1,063
Employee benefits	17,256,503	18,284,207	17,878,305	405,902
Books and supplies	3,899,622	5,882,613	3,222,240	2,660,373
Services and operating expenditures	12,100,201	14,614,854	14,473,957	140,897
Other outgo	687,079	587,391	286,736	300,655
Capital outlay	10,000	1,091,878	1,074,388	17,490
Debt service - principal	-	-	77,723	(77,723)
Debt service - interest	-	-	222,932	(222,932)
Total Expenditures[1]	85,842,000	93,124,577	89,893,733	3,230,844
Excess (Deficiency) of Revenues Over Expenditures	(2,071,235)	(1,310,517)	1,168,383	2,478,900
Other Financing Sources (Uses):				
Transfers in	1,400,000	200,000	200,000	-
Net Financing Sources (Uses)	1,400,000	200,000	200,000	-
NET CHANGE IN FUND BALANCES	(671,235)	(1,110,517)	1,368,383	2,478,900
Fund Balance - Beginning	4,798,481	4,798,481	4,798,481	-
Fund Balance - Ending	$ 4,127,246	$ 3,687,964	$ 6,166,864	$ 2,478,900

[1] On behalf payments of $2,012,741 are not included in the actual revenues and expenditures or the budgeted amounts.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2015

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, 2009	-	13,703,472	13,703,472	0%	53,954,617	25%
July 1, 2012	-	16,478,349	16,478,349	0%	54,927,973	30%
July 1, 2014	-	19,109,729	19,109,729	0%	56,232,802	34%

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability	0.0817%
District's proportionate share of the net pension liability	$ 47,739,990
State's proportionate share of the net pension liability associated with the District	28,827,467
Total	$ 76,567,457
District's covered - employee payroll	$ 36,659,641
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	130.22%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability	0.1455%
District's proportionate share of the net pension liability	$ 16,515,190
District's covered - employee payroll	$ 15,212,767
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	109%
Plan fiduciary net position as a percentage of the total pension liability	83%

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

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 3,345,796
Contributions in relation to the contractually required contribution	(3,345,796)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 38,098,777
Contributions as a percentage of covered - employee payroll	8.78%
CalPERS	
Contractually required contribution	$ 1,918,916
Contributions in relation to the contractually required contribution	(1,918,916)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 16,637,732
Contributions as a percentage of covered - employee payroll	11.53%

Note : In the future, as data become 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, 2015

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 (CDE):			
Title I, Part C, Migrant Education - Regular	84.011	14326	$ 153,020
Title I, Migrant Ed Summer Program	84.011	10005	26,584
Total Title I, Migrant Education			179,604
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	1,657,224
Title III, Part A, English Language Acquisition Grant	84.365	14346	313,427
Title II, Part A, Improving Teacher Quality	84.367	14341	312,023
Title IV, 21st Century Community Learning Centers Program	84.287	14349	812,874
Special Education Cluster (IDEA):			
Basic Local Assistance, Part B	84.027	13379	1,590,393
Local Assistance, Private, Part B	84.027	10115	12,127
Preschool Local Entitlement, Part B, Sec 611 (Age 3-4-5)	84.027A	13682	98,314
Preschool Grants, Part B	84.173	13430	48,936
Total Special Education Cluster			1,749,770
Total U.S. Department of Education			$ 5,024,922
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Development Cluster			
Federal Child Care, Center-based	93.596	13609	246,064
Federal Child Care, Center-based	93.575	15136	135,372
Total Child Development Cluster			381,436
Passed through California Department of Health and Care Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	121,277
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
School Lunch Programs (NSL Sec 4 & Sec 11 & After School S	10.555	13391	2,492,929
School Breakfast Needy	10.553	13526	953,264
School Breakfast Basic	10.553	13525	25,278
Meal Supplements	10.555	13524	199,203
Commodities [1]	10.555	13396	164,133
Total Child Nutrition Cluster			3,834,807
Child Nutrition - Centers And Family Day Care	10.558	13393	207,764
Total U.S. Department of Agriculture			4,042,571
Total Expenditures of Federal Awards			$ 9,570,206

[1] Amount not included in the financial statements.

REDWOOD CITY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

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
Dennis McBride	President	2015
Alisa MacAvoy	Vice President	2015
Hillary Paulson	Clerk	2017
Shelly Mauser	Trustee Representative to the San Mateo County Committee on School District Organization	2015
Maria Diaz-Slocum	Legislative Network Member	2017

ADMINISTRATION

NAME	TITLE
Jan Christensen	Superintendent
John Baker	Deputy Superintendent, Curriculum and Instruction
Jane Yuster	Assistant Superintendent, Human Resources
Wael Saleh	Chief Business Official

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,802.50	3,800.37
Fourth through sixth	2,915.09	2,912.22
Seventh and eighth	1,731.46	1,731.64
Total Regular ADA	8,449.05	8,444.23
Extended Year Special Education		
Transitional kindergarten through third	6.75	6.75
Fourth through sixth	6.50	6.50
Seventh and eighth	1.76	1.76
Special Education	15.01	15.01
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.50	1.61
Fourth through sixth	14.42	15.17
Seventh and eighth	7.87	8.36
Nonpublic, Nonsectarian	23.79	25.14
Extended Year, Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.18	0.18
Fourth through sixth	0.55	0.55
Seventh and eighth	0.65	0.65
Nonpublic, Nonsectarian	1.38	1.38
Total ADA	8,489.23	8,485.76

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	42,190	176	Complied
Grade 1 - 3					
Grade 1	50,400	49,000	49,281	176	Complied
Grade 2	50,400	49,000	49,281	176	Complied
Grade 3	50,400	49,000	49,281	176	Complied
Grade 4 - 6					
Grade 4	54,000	52,500	52,937	176	Complied
Grade 5	54,000	52,500	52,937	176	Complied
Grade 6	54,000	52,500	52,937	176	Complied
Grade 7 - 8					
Grade 7	54,000	52,500	52,937	176	Complied
Grade 8	54,000	52,500	52,937	176	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, 2015

Summarized below are the reconciliations between the Unaudited Actual Financial Report, and the audited financial statements:

LONG TERM OBLIGATIONS	FORM DEBT
Total Liabilities, June 30, 2015, Unaudited Actuals	$ 141,577,889
Increase/(decrease) in:	
General obligation bonds payable (accretion and bond premiums)	733,475
Accrued vacation	20
State School Building Loan	16,895
Food program repayment	1,301,468
Capital lease payable	200,437
Net OPEB Asset/Obligation	136,836
Net pension liability	(12,664,143)
Total Liabilities, June 30, 2015, Audited Financial Statement	$ 131,302,877

CAPITAL ASSETS	FORM ASSET
Total Assets, June 30, 2015, Unaudited Actuals	$ 88,924,034
Increase in:	
Land improvements	81,977
Buildings	1,118,573
Equipment	106,823
Accumulated depreciation - land improvemens	(700,814)
Accumulated depreciation - buildings	(3,051,026)
Accumulated depreciation - equipment	(242,695)
Total Assets, June 30, 2015, Audited Financial Statement	$ 86,236,872

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND				
Revenues	$ 94,623,440	$ 91,062,116	$ 84,890,699	$ 78,602,993
Other sources and transfers in	-	200,000	300,000	1,490,751
Total Revenues and Other Sources	94,623,440	91,262,116	85,190,699	80,093,744
Expenditures	92,075,998	89,893,733	85,732,533	82,436,003
Other uses and transfers out	433,823	-	-	45,911
Total Expenditures and Other Uses	92,509,821	89,893,733	85,732,533	82,481,914
INCREASE (DECREASE) IN FUND BALANCE	$ 2,113,619	$ 1,368,383	$ (541,834)	$ (2,388,170)
ENDING FUND BALANCE	$ 8,280,483	$ 6,166,864	$ 4,798,481	$ 5,340,315
AVAILABLE RESERVES [2]	$ 2,941,872	$ 4,408,196	$ 2,643,481	$ 3,476,777
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.18%	4.90%	3.16%	4.22%
LONG-TERM OBLIGATIONS	$ 126,121,339	$ 131,302,877	$ 65,598,182	$ 67,464,324
K-8 AVERAGE DAILY ATTENDANCE AT P-2	7,693	8,449	8,599	8,850

The General Fund balance has increased by $826,549 over the past two years. The fiscal year 2015-2016 budget projects an increase of $2,113,619 (34 percent). 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 an operating deficit in the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $63,838,553 over the past two years due mostly to the inclusion of the unfunded portion of STRS and PERS pension liabilities.

Average daily attendance has decreased by 401 over the past two years. A decrease of 756 ADA is anticipated during fiscal year 2015-2016 due mostly to anticipated changes related to the opening of a charter school.

[1] Budget 2016 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.

[3] On behalf payments of $2,038,786, $1,905,115, and have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, and 2013.

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Funds	Special Reserve Capital Outlay Fund	Non Major Governmental Funds
ASSETS						
Deposits and investments	$ 95,792	$ 1,377,633	$ -	$ 8,699	$ 1,971,741	$ 3,453,865
Receivables	229,123	626,131	-	14	6,713	861,981
Due from other funds	321	-	93	-	-	414
Stores inventories	-	55,777	-	-	-	55,777
Total Assets	$ 325,236	$ 2,059,541	$ 93	$ 8,713	$ 1,978,454	$ 4,372,037
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 66,454	$ 101,851	$ 93	$ -	$ -	$ 168,398
Due to other funds	190,242	325,273	-	8,713	-	524,228
Unearned revenue	5,666	973	-	-	-	6,639
Total Liabilities	262,362	428,097	93	8,713	-	699,265
Fund Balances:						
Nonspendable	-	65,777	-	-	-	65,777
Restricted	62,874	1,565,667	-	-	1,978,454	3,606,995
Total Fund Balances	62,874	1,631,444	-	-	1,978,454	3,672,772
Total Liabilities and Fund Balances	$ 325,236	$ 2,059,541	$ 93	$ 8,713	$ 1,978,454	$ 4,372,037

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds
REVENUES						
Federal sources	$ 381,436	$ 3,878,438	$ -	$ -	$ -	$ 4,259,874
Other State sources	2,408,320	322,038	-	-	-	2,730,358
Other local sources	575,360	505,804	2,641	790	467,532	1,552,127
Total Revenues	3,365,116	4,706,280	2,641	790	467,532	8,542,359
EXPENDITURES						
Current						
Instruction	2,718,619	-	-	-	-	2,718,619
Instruction-related activities:						
School site administration	357,657	-	-	-	-	357,657
Pupil services:						
Food services	-	4,107,677	-	-	-	4,107,677
Administration:						
All other administration	180,395	213,866	-	-	-	394,261
Plant services	46,107	14,870	83,255	8,713	-	152,945
Debt service						
Principal	-	-	-	-	662,071	662,071
Total Expenditures	3,302,778	4,336,413	83,255	8,713	662,071	8,393,230
Excess (Deficiency) of Revenues Over Expenditures	62,338	369,867	(80,614)	(7,923)	(194,539)	149,129
Other Financing Sources (Uses)						
Transfers in	-	-	80,614	-	-	80,614
Net Financing Sources (Uses)	-	-	80,614	-	-	80,614
NET CHANGE IN FUND BALANCES	62,338	369,867	-	(7,923)	(194,539)	229,743
Fund Balance - Beginning	536	1,261,577	-	7,923	2,172,993	3,443,029
Fund Balance - Ending	$ 62,874	$ 1,631,444	$ -	$ -	$ 1,978,454	$ 3,672,772

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 9,406,073
Reconciled item:		
Commodities Received	10.555	164,133
Total Schedule of Expenditures of Federal Awards		$ 9,570,206

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.

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Redwood City School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Redwood City School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Redwood City School 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 Redwood City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Redwood City School District’s internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Redwood City School District School District's Response to Findings

Redwood City School District's response to the findings identified in our audit are 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.

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 result 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, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Redwood City School District's (the District) major Federal programs for the year ended June 30, 2015. Redwood City School 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 requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Redwood City School 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Redwood City School 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 Redwood City School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Redwood City School 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, 2015.

Report on Internal Control Over Compliance

Management of Redwood City School 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 Redwood City School 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 OMB Circular A-133, 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 Redwood City School 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2015

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 compliance with the types of compliance requirements as identified in the *2014-15 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 Redwood City School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Redwood City School 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 *2014-15 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 Redwood City School 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 Redwood City School 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, Redwood City School District did not comply with requirements regarding classroom teacher salaries as noted in item 2015-003. Compliance with such requirements is necessary, in our opinion, for Redwood City School District to comply with the requirements applicable to that program.

Qualified Opinion on Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Redwood City School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

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Qualified Opinion on Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Redwood City School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Programs

In our opinion, Redwood City School 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, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	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	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	Yes
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

	Procedures Performed
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	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 does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

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 have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

REDWOOD CITY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

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?	Yes
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 .510(a) of OMB Circular A-133?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173, 84.027A	Special Education Cluster (IDEA)
84.010	Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

REDWOOD CITY SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2015-001 STUDENT BODY ACCOUNTS AT SITES (30000)

Criteria or Specific Requirements
The District operates several school sites that have Associated Student Body Accounts. These are independent accounts of student groups in which the proceeds of student fundraising activities are kept. The student groups account for these funds separately, but have deposited the funds in depository accounts in the District's name. The District is responsible for enforcing effective controls over the funds. Control activities include completion of revenue potentials for fundraisers, cash collection and receipting procedures, disbursement procedures and reconciliations of financial data.

Condition

Significant Deficiency - The followings issues were identified during our visits to various sites in prior and current years –Fair Oaks Elementary, Hawes Elementary, Hoover Elementary, and Kennedy Middle School:

- At all four sites we noted one individual writes checks, signs checks, and maintains the accounting records thereby places custody and signature authority in one person.
- At Hoover Elementary we noted funds received in September and October 2014 were not deposited for 31-59 days after receipt, and that two items were received and deposited but no receipt was maintained.
- At Kennedy Middle School we noted one disbursement for $21.79 that is not in alignment with the recommended purposes of ASB funds.

Questioned costs
There are no questioned costs associated with above conditions.

Context
During our visits to the above sites to observe the controls over the associated student body accounts, we noted the conditions mentioned above. Improvements are recommended in order to strengthen the internal controls over the amounts collected and disbursed at decentralized locations.

Effect
Controls over funds managed at decentralized locations are not operating at their optimum level, thereby, exposing the Associated Student funds to an increased risk of loss or inappropriate use.

Cause

There was a lack of segregation of duties and a need for additional monitoring of ASB activities.

Recommendation
We recommend that increased levels of after the fact review by the principal or another person at the site be elevated above normal to assist in mitigating the lack of segregation of duties between custody of records and signature authority. We also recommend reminding those involved of the importance of receipts and ensuring that disbursements for items indicated as not appropriate purposes in the FCMAT ASB manual not be issued from these funds.

Some of the conditions described above were also identified in the prior year audit. The District should continue its efforts to work with site personnel and take actions to correct these conditions. In addition, a supervisory review of the procedures on a periodic basis should be preformed to detect errors.

Corrective Action Plan
The District will continue to work with the school sites in increasing internal controls and making sure that proper procedures are being followed. Annual refresher trainings continue to be held. Periodic site visits will be planned for internal audit and review.

2015-002 SITE CASH COLLECTIONS (30000)

Criteria or Specific Requirements
The District should have sufficient procedures in place to monitor the accounting of site cash and to ensure that it is done in accordance with District policies and best business practices.

Condition
Significant Deficiency – During our site visits in current and prior years at Hoover Elementary, and Kennedy Middle School, we noted the following conditions:

- At Hoover Elementary we noted prenumbered receipts are not used for deposits, and no log is used to track incoming funds. Without either of these items it is possible for funds to be received and not deposited without that situation being easily identifiable.
- At Kennedy Middle School we noted funds for site cash received throughout the year were not deposited for 26-82 days after receipt, some items were received and deposited but no receipt was maintained, and multiple receipt books were used thereby decreasing the effectiveness of internal controls related to prenumbering of receipts.

Questioned Costs
There are no questioned costs associated with above conditions.

Context
The aforementioned issues were revealed while observing the controls over cash collections during our visits to school sites.

Effect
Controls over site cash collections were not operating effectively, thereby exposing the District and the school sites to potential increased risk of theft or unidentified errors in the accounting records.

Cause
The school sites did not follow District's policies over cash handling and internal control procedures.

Recommendation
We recommend that the District work with site personnel to ensure that controls are operating effectively as designed. In addition, continuing periodic supervisory reviews and/or District office reviews are recommended.

Corrective Action Plan
The District will continue to work with the school sites in increasing internal controls and making sure that proper procedures are being followed. Annual refresher trainings continue to be held. Periodic site visits will be planned for internal audit and review.

REDWOOD CITY SCHOOL DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None Reported.

Five Digit Code	AB 3627 Finding Type
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

2015-003 CLASSROOM TEACHER SALARIES (42000)

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:

(1) By an elementary school district, 60 percent of the district's current expense of education.

(2) By a high school district, 50 percent of the district's current expense of education.

(3) By a unified school district, 55 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
$692,739.88. Current Expense of Education of $76,125,261 times the percent short of 0.91%.

Context
The District spent 59.09% of its expenditures on the Current Expense of Education, but was required to spent 60%, creating a shortage of 0.91%.

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.

Cause
The District changed its expenditure plans to address changing components of the Local Control Accountability Plan.

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

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, 2015

Financial Statement Findings

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2014-001 STUDENT BODY ACCOUNTS AT SITES (30000)

Criteria or Specific Requirements
The District operates several school sites that have Associated Student Body Accounts. These are independent accounts of student groups in which the proceeds of student fundraising activities are kept. The student groups account for these funds separately, but have deposited the funds in depository accounts in the District's name. The District is responsible for enforcing effective controls over the funds. Control activities include completion of revenue potentials for fundraisers, cash collection and receipting procedures, disbursement procedures and reconciliations of financial data.

Condition
Significant Deficiency - The followings issues were identified during our visits to various sites in prior and current years – Clifford Elementary School, Henry Ford Elementary School, Roy Cloud School, North Star Academy, Kennedy Middle School, Selby Lane Elementary School:

- The cash count form for a December 2013 school dance did not contain evidence of review by the principal as required by the ASB procedures.
- Pre-numbered receipts were not consistently used.
- Disbursement approval forms did not always contain the Office Managers signature as required by the ASB procedures.
- Bank reconciliations were not prepared timely.

Questioned Costs
There were no questioned costs associated with the conditions stated above.

Context
During our visits to the above sites to observe the controls over the associated student body accounts, we noted the conditions mentioned above. Improvements are recommended in order to strengthen the internal controls over the amounts collected and disbursed at decentralized locations.

Effect
Controls over funds managed at decentralized locations are not operating at their optimum level, thereby, exposing the district to potential increased risk of theft or un-located errors in the financial records.

Cause
There was a lack of segregation of duties and a need for additional monitoring of ASB activities.

Recommendation
Some of the conditions described above were also identified in the prior year audit. The District should continue its efforts to work with site personnel and take actions to correct these conditions. In addition, a supervisory review of the procedures on a periodic basis should be preformed to detect errors.

Corrective Action Plan
The District has been working to address these issues and will continue to work with school sites to assign and adopt procedures to prevent these types of findings in the future.

Status
Partially implemented, See Finding 2015-1.

2014-002 SITE CASH COLLECTIONS (30000)

Criteria or Specific Requirements
The District should have sufficient procedures in place to monitor the accounting of site cash and to ensure that it is done in accordance with District policies and best business practices.

Condition
Significant Deficiency – During our site visits in current and prior years at Roosevelt Elementary, Roy Cloud School, Clifford Elementary School, Selby Lane Elementary School, Garfield School, North Star Academy, John Gill, and Kennedy Middle School, we noted the following conditions.

- Pre-numbered receipts were not always used or issued when cash was collected at school sites.
- Lack of segregation of duties, where the office manager collected cash and prepared the deposits. No secondary review was performed at the site level.

Questioned costs
There are no questioned costs associated with above conditions.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Context
The aforementioned issues were revealed while observing the controls over cash collections during our visits to school sites.

Effect
Controls over site cash collections were not operating effectively, thereby exposing the District and the school sites to potential increased risk of theft or unidentified errors in the accounting records.

Cause
The school sites did not follow District's policies over cash handling and there were insufficient internal control procedures.

Recommendation
We recommend that the District work with site personnel to ensure that controls are operating effectively as designed. In addition, periodic supervisory reviews are recommended.

Corrective Action Plan
The District will continue to provide training for Principals to provide stronger procedures to avoid these types of findings. The Business Office will monitor cash received more closely and provide direction to sites.

Status
Not implemented, See Finding 2015-002**.**