REDWOOD CITY
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2014

REDWOOD CITY SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2014

FINANCIAL SECTION

Independent Auditor's Report 2
Management's Discussion and Analysis 5
Basic Financial Statements
Government-Wide Financial Statements
Statement of Net Position 15
Statement of Activities 16
Fund Financial Statements
Governmental Funds - Balance Sheet 17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 18
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances 19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 20
Fiduciary Funds - Statement of Net Position 21
Notes to Financial Statements 22

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule 50
Schedule of Other Postemployment Benefits (OPEB) Funding Progress 51

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 53
Local Education Agency Organization Structure 54
Schedule of Average Daily Attendance 55
Schedule of Instructional Time 56
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 57
Schedule of Financial Trends and Analysis 58
Combining Statements - Non-Major Governmental Funds
Combining Balance Sheet 59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 60
Note to Supplementary Information 61

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 64
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the OMB Circular A-133 66
Report on State Compliance 68

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results 71
Financial Statement Findings 72
Federal Awards Findings and Questioned Costs 75
State Awards Findings and Questioned Costs 76
Summary Schedule of Prior Audit Findings 77

FINANCIAL SECTION

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, 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.

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, 2014, and the respective changes in financial position 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 Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14 and budgetary comparison and other postemployment benefit information on pages 50 and 51, respectively, 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 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, 2014, 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2014

REDWOOD CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, 2014. 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 liabilities, 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 $41.6 million for the fiscal year ended June 30, 2014. Of this amount, ($4.8) 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	
	2014	2013
Assets		
Current and other assets	$ 53,602	$ 41,750
Capital assets	88,924	87,308
Total Assets	**142,526**	**129,058**
Liabilities		
Current liabilities	32,362	19,732
Long-term obligations	68,598	67,464
Total Liabilities	**100,960**	**87,196**
Net Position		
Net investment in capital assets	27,977	26,354
Restricted	18,382	17,336
Unrestricted	(4,794)	(1,828)
Total Net Position	**$ 41,565**	**$ 41,862**

The ($4.8) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and includes $2.5M of available reserves and $7.3M 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 16 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	
	2014	2013
Revenues		
Program revenues:		
Charges for services	$ 695	$ 663
Operating grants and contributions	19,708	20,543
General revenues:		
Federal and State aid not restricted to specific purposes	62,723	58,506
Property taxes	12,909	12,102
Other general revenues	5,354	4,834
Total Revenues	**101,389**	**96,648**
Expenses		
Instruction and Instruction-related	74,911	73,118
Student support services	8,632	8,707
Administration	4,074	4,365
Maintenance and operations	8,598	8,500
Other	4,494	4,895
Total Expenses	**100,709**	**99,585**
Change in Net Position	**$ 680**	**$ (2,937)**

Governmental Activities

As reported in the *Statement of Activities* on page 16 the cost of all of District's governmental activities this year was $100.7 million. However, the amount that taxpayers ultimately financed for these activities through local taxes was only $13.0 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 ($19.7 million). The District paid for the remaining "public benefit" portion of its governmental activities with $62.7 million in Federal and State funds and $5.4 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	
	2014	2013	2014	2013
Instruction	$ 63,153	$ 62,335	$ 53,246	$ 52,134
Instruction-related	11,758	10,784	9,312	8,157
Pupil Services	8,632	8,707	3,867	3,811
Administration	4,074	4,365	3,488	3,753
Plant Services	8,598	8,500	8,537	8,340
Other	4,494	4,895	1,856	2,185
Totals	**$ 100,709**	**$ 99,585**	**$ 80,306**	**$ 78,379**

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of $22.2 million, which is an increase of $124 thousand from last year (Table 4).

Table 4

(Amounts in thousands)	Fund Balance	
	2014	2013
General	$ 4,798	$ 5,340
Cafeteria	1,263	1,216
Building	8	-
Capital Facilities	7,483	7,188
Special Reserve for Capital Outlay Projects	2,173	2,412
Bond Interest and Redemption	6,496	5,941
Totals	**$ 22,221**	**$ 22,097**

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 decreased from $5.3 million to $4.8 million expenditures exceeding revenues.
b) The Capital Facilities fund balance has increased by $295 thousand due to revenues exceeding expenditures by that amount.
c) The Bond Interest and Redemption Fund balance has increased by $0.5 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 2014. (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 50.)

Changes between our 2013-14 original and final budgets were as follows:

a) Budgeted revenues increased by $6 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 $6 million due to the following:
    1. Unspent budgeted expenditures to be carried forward into 2014-15.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had $88.9 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $1.6 million, or 2 percent, from last year (Table 5).

Table 5

(Amounts in thousands)	Governmental Activities	
	2014	2013
Land and Construction in Progress	$ 1,442	$ 3,110
Buildings and improvements	84,853	82,972
Equipment	2,629	1,226
Totals	**$ 88,924**	**$ 87,308**

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 $68.60 million in long-term obligations versus $67.5 million last year, an increase of $1.1 million or 2 percent. Long-term obligations consisted of:

Table 6

(Amounts in thousands)	Governmental Activities	
	2014	2013
General obligation bonds (financed with property taxes)	$ 56,105	$ 59,090
State school building loans	1,440	-
Accumulated vacation - net	315	332
Other Post Employment Benefit	7,329	6,178
Capital lease payable	2,747	355
Qualified Zone Academy Bonds	662	1,509
Totals	**$ 68,598**	**$ 67,464**

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 $56 million is significantly below the statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits 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 2014-15, 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. Starting in 2012-13, the District generated parcel tax revenue of approximately $1.5 million.

The following assumptions were used in projecting revenues:

a) Enrollment is projected at 8,939 students, which represents a decrease of 71 students from 2013-14, due to students lost to the new charter school.

b) ADA is projected at 8,582, which represents a 96.00% attendance rate.

c) State law allows the District to use either current or prior year ADA to calculate revenue limit, whichever is higher. LCFF is calculated using:
   - Projection for 2014-15 funded ADA of 8,608,
     Cost of living adjustment (COLA) of .85%

d) The District projected the number of teachers in grades K-3 using a 30:1 ratio.

e) Mandated Cost reimbursement is budgeted at $250,000, the same amount received in FY 2013-14. Other mandates outside the Block Grant amount of $250,000 are not currently budgeted. The Block Grant amount is budgeted because the Governor's, the Senate's, and the Assembly's budget proposals all have these funds budgeted for FY 2014-15.

f) Funding for unrestricted lottery revenue is budgeted at $124 per ADA. This funding may change during the year based on the revenue generated from the sale of lottery tickets.

g) Leases and rentals are budgeted at $162,756.

h) Interest Income is projected at $130,000, which includes interest earnings from the proceeds of Tax Revenue Anticipation Note (TRAN), a short-term borrowing, while the fund is deposited into the District's account.

i) Special Education revenues are based on the funding model developed by the State in accordance to Assembly Bill 602. Revenues from the State are allocated to San Mateo County Special Education Local Plan Area (SELPA) based on the total ADA of all the participating districts. SELPA distributes the revenue to all participating districts using the ADA for 2013-14.

j) Federal categorical program revenues are projected to be flat from 2013-14.

k) State categorical programs outside LCFF has been budgeted based on information available at the time of budgeting.

   There is a COLA of .85% calculated for State categorical programs as listed on the School Services of California most recent "Dartboard".

l) Local categorical program revenues are budgeted based on the funding commitment from the donors. Revenue projection will be adjusted as new commitments are received from donors. Proceeds from parcel tax are estimated at $1.5 million. The District is currently evaluating the impact of the senior exemptions and the fees for assessing the tax. This amount will be confirmed in the next budget revision.

m) Carryover of any unspent prior year funds for Federal, State, and Local categorical programs will be budgeted after the close of the books for 2013-14.

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 used in projecting expenditures:

a) Classroom staffing is projected using the following ratio:
   - Grades K-3 – 30:1
   - Grades 4-8 - 31:1
   - Kennedy/McKinley = 170 student contacts per teacher per day

b) Step and column movement in the salary schedule are calculated for all eligible employees. A step change is a movement in the salary schedule upon completion of each year of service with the District. Teachers' column movements are granted upon completion of additional credentials during the year.

c) The District is currently in negotiations with classified non-management employees. However, the budget assumes similar increase to the certificated employees received.

d) The following statutory employee benefits are used in calculating labor costs:

Description	Certificated Employees	Classified Employees
State Teacher Retirement System (STRS)	9.50%	
Public Employment Retirement System (PERS)		11.771%
Federal Insurance Contribution Act (FICA)		6.20000%
Medicare	1.45000%	1.45000%
State Unemployment Insurance (SUI)	0.050%	0.050%
Worker's Compensation Insurance (WC)	2.6899%	2.6899%
Total	13.6899%	22.1609%

e) Unemployment insurance has decreased from 1.1% to 0.05%.

f) Workers compensation insurance rate has decreased from 3.028% to 2.6899%.

g) School sites allowance for classroom and miscellaneous supplies is budgeted at $48.60 per student.

h) Utility costs are projected based on current year actuals through year-end with known percentage increases applied. The District acquires its natural gas from School Project Utility Rate Reduction ("SPURR"). SPURR is an energy buying co-operative, established by California public school districts, cities, counties, and other public agencies, to aggregate our purchasing power and expertise.

i) Categorical program expenditures are budgeted in accordance with the guidelines of the grants or entitlements.

j) Projected expenditures for special education programs of $20 million exceeded the Federal and State funding by $12.5 million. Transferring funds from the Unrestricted General Fund will cover these additional costs.

k) Unrestricted General Fund contributions to Family Center program is budgeted at $90,000.

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, 2014

	Governmental Activities
ASSETS	
Deposits and investments	$ 26,673,434
Receivables	26,851,320
Prepaid expenses	4,588
Stores inventories	72,484
Capital assets not depreciated	1,441,595
Capital assets, net of accumulated depreciation	87,482,439
Total Assets	142,525,860
LIABILITIES	
Accounts payable	20,177,920
Interest payable	981,307
Unearned revenue	1,203,160
Current loans	10,000,000
Current portion of long-term obligations	5,586,859
Noncurrent portion of long-term obligations	63,011,323
Total Liabilities	100,960,569
NET POSITION	
Net investment in capital assets	27,977,030
Restricted for:	
Educational programs	1,948,571
Debt service	7,687,393
Capital projects	7,483,459
Other activities	1,262,113
Unrestricted	(4,793,275)
Total Net Position	$ 41,565,291

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

REDWOOD CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	$ 63,152,684	$ 170,235	$ 9,736,418	$ (53,246,031)
Instruction-related activities:				
Supervision of instruction	3,561,933	945	1,209,155	(2,351,833)
Instructional library, media, and technology	1,348,888	196	712,610	(636,082)
School site administration	6,847,296	27,263	496,390	(6,323,643)
Pupil services:				
Home-to-school transportation	1,063,677	-	-	(1,063,677)
Food services	4,439,383	448,656	3,909,620	(81,107)
All other pupil services	3,128,926	515	405,748	(2,722,663)
Administration:				
Data processing	401,254	-	-	(401,254)
All other administration	3,672,145	32,519	553,195	(3,086,431)
Plant services	8,598,013	4,890	55,246	(8,537,877)
Community services	1,267,255	1,447	610,267	(655,541)
Interest on long-term obligations	2,598,025	-	-	(2,598,025)
Other outgo	630,218	8,442	2,019,547	1,397,771
Total Governmental Activities	$ 100,709,697	$ 695,108	$ 19,708,196	(80,306,393)
General revenues and subventions:				
Property taxes, levied for general purposes				4,731,256
Property taxes, levied for debt service				5,832,155
Taxes levied for other specific purposes				2,345,709
Federal and State aid not restricted to specific purposes				62,722,968
Interest and investment earnings				1,401,431
Miscellaneous				3,952,492
Subtotal, General Revenues				80,986,011
Change in Net Position				679,618
Net Position - Beginning, restated				40,885,673
Net Position - Ending				$ 41,565,291

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

REDWOOD CITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 9,965,760	$ 7,707,654	$ 6,487,193	$ 2,512,827	$ 26,673,434
Receivables	25,403,971	94,626	8,594	1,344,129	26,851,320
Due from other funds	371,599	9,173	-	5,807	386,579
Prepaid expenses	4,588	-	-	-	4,588
Stores inventories	23,742	-	-	48,742	72,484
Total Assets	$ 35,769,660	$ 7,811,453	$ 6,495,787	$ 3,911,505	$ 53,988,405
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 19,765,757	$ 28,006	$ -	$ 384,157	$ 20,177,920
Due to other funds	5,808	300,000	-	80,771	386,579
Other current liabilities	10,000,000	-	-	-	10,000,000
Unearned revenue	1,199,612	-	-	3,548	1,203,160
Total Liabilities	30,971,177	328,006	-	468,476	31,767,659
Fund Balances:					
Nonspendable	103,330	-	-	48,742	152,072
Restricted	1,948,571	7,483,447	6,495,787	3,394,287	19,322,092
Assigned	103,101	-	-	-	103,101
Unassigned	2,643,481	-	-	-	2,643,481
Total Fund Balances	4,798,483	7,483,447	6,495,787	3,443,029	22,220,746
Total Liabilities and Fund Balances	$ 35,769,660	$ 7,811,453	$ 6,495,787	$ 3,911,505	$ 53,988,405

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, 2014

Total Fund Balance - Governmental Funds		**$ 22,220,746**
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	$ 149,102,186	
Accumulated depreciation is	(60,178,152)	
		88,924,034
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.		(981,307)
Long-term obligations at year end consist of:		
Bonds payable, net of premiums	56,105,447	
Net Other Postemployment Benefits (OPEB)	7,328,744	
State School Energy Loan	1,439,914	
Capital Lease Payable	2,747,483	
Compensated Absences (vacations)	314,523	
Qualified Zone Academy Bonds	662,071	
Total Long-Term Obligations		(68,598,182)
Total Net Position - Governmental Activities		**$ 41,565,291**

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, 2014

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	$ 65,398,090	$ -	$ -	$ -	$ 65,398,090
Federal sources	4,548,222	-	-	4,152,837	8,701,059
Other State sources	8,200,231	-	24,093	2,347,712	10,572,036
Other local sources	6,744,156	2,492,972	5,860,188	1,693,020	16,790,336
Total Revenues	84,890,699	2,492,972	5,884,281	8,193,569	101,461,521
EXPENDITURES					
Current					
Instruction	57,131,999	-	-	2,401,214	59,533,213
Instruction-related activities:					
Supervision of instruction	3,439,003	-	-	-	3,439,003
Instructional library, media and technology	1,196,351	-	-	-	1,196,351
School site administration	6,115,433	-	-	327,898	6,443,331
Pupil services:					
Home-to-school transportation	1,010,984	-	-	-	1,010,984
Food services	576	-	-	4,349,762	4,350,338
All other pupil services	2,763,041	-	-	-	2,763,041
Administration:					
Data processing	377,576	-	-	-	377,576
All other administration	3,538,013	203,967	-	362,274	4,104,254
Plant services	7,697,099	148,996	-	451,243	8,297,338
Facility acquisition and construction	7,100	880,695	-	304,254	1,192,049
Community services	1,189,308	-	-	-	1,189,308
Other outgo	630,218	-	-	-	630,218
Debt service					
Principal	307,349	-	3,935,000	846,946	5,089,295
Interest and other	328,481	-	1,394,637	-	1,723,118
Total Expenditures	85,732,531	1,233,658	5,329,637	9,043,591	101,339,417
Excess (Deficiency) of Revenues Over Expenditures	(841,832)	1,259,314	554,644	(850,022)	122,104
Other Financing Sources (Uses)					
Transfers in	300,000	-	-	664,161	964,161
Transfers out	-	(964,161)	-	-	(964,161)
Net Financing Sources (Uses)	300,000	(964,161)	-	664,161	-
NET CHANGE IN FUND BALANCES	(541,832)	295,153	554,644	(185,861)	122,104
Fund Balance - Beginning	5,340,315	7,188,294	5,941,143	3,628,890	22,098,642
Fund Balance - Ending	$ 4,798,483	$ 7,483,447	$ 6,495,787	$ 3,443,029	$ 22,220,746

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, 2014

Total Net Change in Fund Balances - Governmental Funds		$ 122,104
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	$ (3,920,557)	
Capital outlays	5,609,135	1,688,578
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.		
Capital lease	(4,140,192)	
State school energy loan	(1,439,914)	(5,580,106)
Loss on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds.		(72,206)
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 used was more than the amounts earned.		17,616
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 governmental funds, OPEB costs are recognized when employer contribtuions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year the difference between OPEB costs and actual employer contributions was:		(1,150,670)
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.		6,529,209
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.		(1,052,710)
Change in Net Position of Governmental Activities		**$ 679,618**

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

REDWOOD CITY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Agency Funds
ASSETS	
Deposits and investments	$ 249,189
Total Assets	$ 249,189
LIABILITIES	
Due to student groups	$ 249,189
Total Liabilities	$ 249,189

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, 2014, 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.

Current Loans

Current loans consist 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 is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Fund Balances - Governmental Funds

As of June 30, 2014, 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 $41,565,291 of net position, of which $18,381,536 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 March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by $976,283. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

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 27 and 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.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

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 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 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 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 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 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 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 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 provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Governmental activities	$ 26,673,434
Fiduciary funds	249,189
Total Deposits and Investments	$ 26,922,623

Deposits and investments as of June 30, 2014 consisted of the following:

Cash on hand and in banks	$ 268,076
Cash in revolving	75,000
Investments	26,579,547
Total Deposits and Investments	$ 26,922,623

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	$ 26,578,218	1.71

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, 2014.

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, 2014, the District's bank balance was approximately $364,000 with a carrying amount of $343,000. 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, 2014, 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	$ 887,769	$ -	$ -	$ -	$ 887,769
State Government					
Apportionment	22,427,888	-	-	-	22,427,888
Categorical aid	94,313	-	-	943,142	1,037,455
Lottery	291,217	-	-	-	291,217
Other state	471,133	-	-	-	471,133
Local Government					
Interest	22,118	11,323	8,594	4,138	46,173
Other local sources	1,209,533	83,303	-	396,849	1,689,685
Total	$ 25,403,971	$ 94,626	$ 8,594	$ 1,344,129	$ 26,851,320

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 1,441,595	$ -	$ -	$ 1,441,595
Construction in Progress	1,668,603	-	1,668,603	-
Total Capital Assets Not Being Depreciated	3,110,198	-	1,668,603	1,441,595
Capital Assets Being Depreciated:				
Land Improvements	14,417,161	158,947	-	14,576,108
Buildings and Improvements	122,330,751	5,396,783	-	127,727,534
Furniture and Equipment	4,463,500	1,722,008	828,559	5,356,949
Total Capital Assets Being Depreciated	141,211,412	7,277,738	828,559	147,660,591
Total Capital Assets	144,321,610	7,277,738	2,497,162	149,102,186
Less Accumulated Depreciation:				
Land Improvements	7,452,506	696,034	-	8,148,540
Buildings and Improvements	46,324,154	2,977,742	-	49,301,896
Furniture and Equipment	3,237,288	246,781	756,353	2,727,716
Total Accumulated Depreciation	57,013,948	3,920,557	756,353	60,178,152
Governmental Activities Capital Assets, Net	$ 87,307,662	$ 3,357,181	$ 1,740,809	$ 88,924,034

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

Governmental Activities	
Instruction	$ 2,455,159
Supervision of instruction	88,002
Instructional library, media, and technology	109,175
School site administration	274,085
All other pupil services	345,592
Community services	50,590
All other general administration	178,235
Centralized data processing	16,062
Plant services	403,657
Total Depreciation Expenses Governmental Activities	$ 3,920,557

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, 2014, 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	$ -	$ -	$ 5,807	$ 5,807
Capital Facilities Fund	300,000	-	-	300,000
Non-Major Governmental Funds	71,599	9,173	-	80,772
Total	$ 371,599	$ 9,173	$ 5,807	$ 386,579

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, 2014, consisted of the following:

	Transfer To		
Transfer From	General Fund	Non-Major Governmental Funds	Total
Capital Facilities Fund	$ 300,000	$ 664,161	$ 964,161
Total	$ 300,000	$ 664,161	$ 964,161

Deferred Maintenance Fund transferred to General Fund for Tier III unrestricted spending.	$ 300,000
Capital Facilities Fund transferred to Deferred Maintenance Fund for maintenance projects.	664,161
Total	$ 964,161

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 5,691,451	$ 27,695	$ 359,743	$ 6,078,889
Apportionment	13,183,308	-	-	13,183,308
Salaries and benefits	890,998	311	24,414	915,723
Total	$ 19,765,757	$ 28,006	$ 384,157	$ 20,177,920

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 22,929	$ -	$ 22,929
Other local	1,176,683	3,548	1,180,231
Total	$ 1,199,612	$ 3,548	$ 1,203,160

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, 2013	Additions/ Accretions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	$ 56,800,913	$ 1,127,710	$ 3,935,000	$ 53,993,623	$ 3,966,396
Add: Bond premiums	2,289,627	-	177,803	2,111,824	177,803
Subtotal	59,090,540	1,127,710	4,112,803	56,105,447	4,144,199
State School Building loans	-	1,439,914	-	1,439,914	502,427
Accumulated vacation - net	332,139		17,616	314,523	-
Qualified Zone Academy Bonds	1,509,017	-	846,946	662,071	662,071
Capital leases	354,554	4,140,192	1,747,263	2,747,483	278,162
Net OPEB Obligation	6,178,074	1,859,246	708,576	7,328,744	-
Total	$ 67,464,324	$ 8,567,062	$ 7,433,204	$ 68,598,182	$ 5,586,859

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. Capital leases payments are made by the General fund. Accumulated vacation and other postemployment benefits 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, 2013	Issued/ Accretion	Redeemed	Bonds Outstanding June 30, 2014
8/1/1997	8/1/2022	3.75-6.5%	$ 43,995,195	$ 36,872,041	$ 1,127,710	$ 3,210,000	$ 34,789,751
8/1/2002	8/1/2027	2.1-5%	21,999,968	1,763,872	-	610,000	1,153,872
6/14/2012	2/1/2027	3.0-5.0%	18,545,000	18,165,000	-	115,000	18,050,000
				$ 56,800,913	$ 1,127,710	$ 3,935,000	$ 53,993,623

Debt Service Requirements to Maturity

The bonds mature through 2028 as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2015		$ 3,966,396	$ 1,204,800	$ 5,171,196
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
2020-2024		13,349,097	2,403,838	15,752,935
2025-2028		9,170,000	561,263	9,731,263
	Subtotal	40,102,855	$ 7,303,253	$ 47,406,108
	Accretion to date	13,890,768		
		$ 53,993,623		

State and Public School Building Loans

State school building loans outstanding as of June 30, 2014, are as follows:

Year Disbursed	Interest Rate	Maturity Due	Balance June 30, 2013	Issued	Repayments	Outstanding June 30, 2014
2014	1%	June 22, 2028	$ -	$ 1,439,914	$ -	$ 1,439,914

Fiscal Year		Principal	Interest to Maturity	Total
2015		$ 93,794	$ 16,894	$ 110,688
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
2020-2024		517,420	36,024	553,444
2025-2028		432,954	9,803	442,757
	Subtotal	1,439,914	$ 109,731	$ 1,549,645

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, 2014, amounted to $314,523.

Qualified Zone Academy Bonds

On March 14, 2001, the California School Boards Association Finance Corporation, as lessor, and the Redwood City School District as lessee issued Qualified Zone Academy Bonds, Series 2001, in the amount of $9,269,000 and on June 19, 2001, another series of Qualified Zone Academy Bonds in the amount of $2,403,382 were issued. The bonds provide for no optional or mandatory prepayment prior to maturity. These bonds require that Redwood City School District pay annual lease payments for each year equal to the amount required to cause the balance in the Lease Payment Fund to be at least equal to the accreted value for that year, in accordance with the following schedule:

Years	March 14 Series
2015	$ 662,071

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, 2013	$ 354,554	$ -	$ 354,554
Additions	-	4,140,192	4,140,192
Payments/deletions	266,797	1,480,466	1,747,263
Balance, June 30, 2014	$ 87,757	$ 2,659,726	$ 2,747,483

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Office Equipment	Buildings	Total
2015	$ 88,196	$ 189,966	$ 278,162
2016	-	176,373	176,373
2017	-	193,051	193,051
2018	-	200,241	200,241
2019	-	207,703	207,703
2020-2024	-	1,160,699	1,160,699
2025-2028	-	1,325,554	1,325,554
Total	88,196	3,453,587	3,541,783
Less: Amount Representing Interest	439	793,861	794,300
Present Value of Minimum Lease Payments	$ 87,757	$ 2,659,726	$ 2,747,483

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2014, include the following:

Buildings	$ -	$ 4,140,192	$ 4,140,192
Equipment	420,826	-	420,826
Accumulated Depreciation	(336,661)	-	(336,661)
	$ 84,165	$ 4,140,192	$ 4,224,357

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution (ARC) was $1,975,888, for the year ended June 30, 2014, and the contribution made by the District was $708,576. Interest on the net OPEB obligation and the adjustment to the annual required contribution were $247,123 and ($363,765), respectively, which resulted in an increase to the net OPEB obligation of $1,150,670. As of June 30, 2014, the net OPEB obligation was $7,328,744. 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	$ 75,000	$ -	$ -	$ -	$ 75,000
Stores inventories	23,742	-	-	48,742	72,484
Prepaid expenditures	4,588	-	-	-	4,588
Total Nonspendable	103,330	-	-	48,742	152,072
Restricted					
Educational purpose	1,948,571	-	-	-	1,948,571
Other activities	-	-	-	3,394,287	3,394,287
Capital projects	-	7,483,447	-	-	7,483,447
Debt service	-	-	6,495,787	-	6,495,787
Total Restricted	1,948,571	7,483,447	6,495,787	3,394,287	19,322,092
Assigned					
Site carryovers	103,101	-	-	-	103,101
Total Assigned	103,101	-	-	-	103,101
Unassigned					
Reserved for economic uncertainties	2,510,812	-	-	-	2,510,812
Remaining unassigned	132,669	-	-	-	132,669
Total Unassigned	2,643,481	-	-	-	2,643,481
Total	$ 4,798,483	$ 7,483,447	$ 6,495,787	$ 3,443,029	$ 22,220,746

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, 2014, 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 2014, 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 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).

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were $3,025,899, $3,043,776, and $3,039,220, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were $1,740,645, $1,748,268, and $1,556,858, respectively, and equal 100 percent of the required contributions for each year.

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, 2014, 2013, and 2012 in the amount of $2,038,786, $1,905,115, and $1,856,710, respectively. The June 30, 2014 rate was 5.541 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, 2014.

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, 2014.

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, 2014, the District made payment of $3,388,372 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 297 retirees currently receiving benefits and 820 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 2013-2014, the District contributed $708,576 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	$ 1,975,888
Interest on net OPEB obligation	247,123
Adjustment to annual required contribution	(363,765)
Annual OPEB cost (expense)	1,859,246
Contributions made	(708,576)
Increase in net OPEB obligation	1,150,670
Net OPEB obligation, beginning of year	6,178,074
Net OPEB obligation, end of year	$ 7,328,744

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 was as follows:

Year Ended June 30	Actual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
2012	$ 1,638,018	$ 686,615	42%	$ 5,047,725
2013	1,885,887	755,538	40%	6,178,074
2014	1,859,246	708,576	38%	7,328,744

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, 2014, was 29 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, 2013	Additions	Payments	Outstanding June 30, 2014
3/19/2013	11/29/2013	3.00%	12,275,000	$ 12,275,000	$ -	$ 12,275,000	$ -
10/30/2013	10/31/2014	3.00%	10,000,000	-	10,000,000	-	10,000,000
Total				$ 12,275,000	$ 10,000,000	$ 12,275,000	$ 10,000,000

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 41,861,956
Change in accounting principles to conform to GASB Statement No. 65	(976,283)
Net Positions - Beginning as Restated	$ 40,885,673

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD CITY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Formula	$ 51,654,982	$ 65,139,718	$ 65,398,090	$ 258,372
Federal sources	4,542,711	5,044,484	4,548,222	(496,262)
Other state sources	17,476,073	6,228,350	8,200,231	1,971,881
Other local sources	4,236,506	7,549,508	6,744,156	(805,352)
Total Revenues[1]	77,910,272	83,962,060	84,890,699	928,639
EXPENDITURES				
Current				
Certificated salaries	36,455,023	37,503,720	37,378,504	125,216
Classified salaries	13,832,456	14,318,096	14,210,522	107,574
Employee benefits	16,271,233	15,842,561	17,548,895	(1,706,334)
Books and supplies	2,795,365	4,631,617	2,992,332	1,639,285
Services and operating expenditures	10,764,380	13,885,274	13,014,773	870,501
Other outgo	372,926	518,140	267,949	250,191
Capital outlay	-	13,756	13,756	-
Debt service - principal	-	-	263,346	(263,346)
Debt service - interest	-	-	42,454	(42,454)
Total Expenditures[1]	80,491,383	86,713,164	85,732,531	980,633
Excess (Deficiency) of Revenues Over Expenditures	(2,581,111)	(2,751,104)	(841,832)	1,909,272
Other Financing Sources (Uses):				
Transfers in	2,000,000	2,600,000	300,000	(2,300,000)
Transfers out	-	(75,499)	-	75,499
Net Financing Sources (Uses)	2,000,000	2,524,501	300,000	(2,224,501)
NET CHANGE IN FUND BALANCES	(581,111)	(226,603)	(541,832)	(315,229)
Fund Balance - Beginning	5,340,315	5,340,315	5,340,315	-
Fund Balance - Ending	$ 4,759,204	$ 5,113,712	$ 4,798,483	$ (315,229)

[1] On behalf payments of $2,038,786 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, 2014

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, 2007	$ -	$ 12,562,262	$ 12,562,262	0%	$ 56,299,532	22%
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%

SUPPLEMENTARY INFORMATION

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30. 2014

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 A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	$ 882,803
Title I, Part C, Migrant Education - Regular	84.011	14326	155,543
Title I, Migrant Ed Summer Program	84.011	10005	29,940
Title II, Part A, Improving Teacher Quality	84.367	14341	332,579
Title II, Part A, Administrator Training	84.367	14344	2,639
Title II, Part D, Enhancing Education Through Technology	84.318	14344	329
Title IV, 21st Century Community Learning Centers Program	84.287	14349	846,278
Title III, Immigrant Education Program	84.365	15146	2,144
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	484,670
Special Education Cluster (IDEA):			
Basic Local Assistance	84.027	13379	1,487,754
Local Assistance Part B	84.027	10115	27,888
Preschool Grants, Part B	84.173	13430	62,807
Preschool Local Entitlement	84.027A	13682	116,808
Preschool Staff Development	84.173A	13431	688
Total U.S. Department of Education			4,432,871
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Federal Child Care, Center-based	93.596	13609	343,358
Total passed through CDE:			343,358
Passed through California Department of Health and Care Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	115,351
Total passed through California Department of Health and Care Services:			115,351
Total U.S. Department of Health and Human Services			458,709
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
School Lunch Programs (NSL Sec 4 & Sec 11 & After School Snac	10.555	13391	2,462,078
School Breakfast Needy	10.553	13526	953,826
School Breakfast Basic	10.553	13525	39,006
Meal Supplements	10.555	13524	167,485
Commodities [1]	10.555	13396	121,364
Child Nutrition - Centers And Family Day Care	10.558	13393	187,084
Total passed through CDE:			3,930,843
Total U.S. Department of Agriculture			3,930,843
Total Expenditures of Federal Awards			$8,822,423

[1] Amount not included in the financial statements.

REDWOOD CITY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2014

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

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, 2014

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,883	3,884
Fourth through sixth	2,920	2,917
Seventh and eighth	1,796	1,794
Total Regular ADA	8,599	8,595
Extended Year Special Education		
Transitional kindergarten through third	8	8
Fourth through sixth	5	5
Seventh and eighth	2	2
Total Extended Year Special Education	14	14
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	9	7
Fourth through sixth	21	18
Seventh and eighth	11	9
Total Special Education, Nonpublic, Nonsectarian Schools	41	34
Total ADA	8,654	8,643

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	40,660	176	In compliance
Grade 1 - 3					
Grade 1	50,400	49,000	49,225	176	In compliance
Grade 2	50,400	49,000	49,225	176	In compliance
Grade 3	50,400	49,000	49,225	176	In compliance
Grade 4 - 6					
Grade 4	54,000	52,500	52,884	176	In compliance
Grade 5	54,000	52,500	52,884	176	In compliance
Grade 6	54,000	52,500	53,265	176	In compliance
Grade 7 - 8					
Grade 7	54,000	52,500	53,265	176	In compliance
Grade 8	54,000	52,500	53,265	176	In compliance

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, 2014

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, 2014, Unaudited Actuals	$ 63,739,359
Increase/(decrease) in:	
General obligation bonds payable (accretion and bond premiums)	745,271
Capital lease payable	4,140,192
Net OPEB Asset/Obligation	(26,640)
Total Liabilities, June 30, 2014, Audited Financial Statement	$ 68,598,182

CAPITAL ASSETS	FORM ASSET
Total Assets, June 30, 2014, Unaudited Actuals	$ 84,783,842
Increase in:	
Building and improvements	4,140,192
Total Assets, June 30, 2014, Audited Financial Statement	$ 88,924,034

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 [1]	2014	2013	2012
GENERAL FUND				
Revenues	$ 83,770,765	$ 84,890,699	$ 78,602,993	$ 79,121,884
Other sources and transfers in	1,400,000	300,000	1,490,751	783,712
Total Revenues and Other Sources	85,170,765	85,190,699	80,093,744	79,905,596
Expenditures	85,842,000	85,732,531	82,436,003	80,467,041
Other uses and transfers out	-	-	45,911	391,235
Total Expenditures and Other Uses	85,842,000	85,732,531	82,481,914	80,858,276
INCREASE (DECREASE) IN FUND BALANCE	$ (671,235)	$ (541,832)	$ (2,388,170)	$ (952,680)
ENDING FUND BALANCE	$ 4,127,248	$ 4,798,483	$ 5,340,315	$ 7,728,485
AVAILABLE RESERVES [2]	$ 2,887,070	$ 2,643,481	$ 3,476,777	$ 5,815,780
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.36%	3.16%	4.22%	7.19%
LONG-TERM OBLIGATIONS	$ 63,011,323	$ 68,598,182	$ 67,464,324	$ 70,484,467
K-8 AVERAGE DAILY ATTENDANCE AT P-2	8,582	8,599	8,850	8,897

The General Fund balance has decreased by $2,930,002 over the past two years. The fiscal year 2014-2015 budget projects a decrease of $671,235 (14 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 deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by $1,886,285 over the past two years.

Average daily attendance has decreased by 298 over the past two years. A decrease of 17 ADA is anticipated during fiscal year 2014-2015.

[1] Budget 2015 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 $1,856,710 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012.

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Funds	Special Reserve Capital Outlay Fund	Non Major Governmental Funds
ASSETS						
Deposits and investments	$ 62,227	$ 236,904	$ 36,128	$ 7,911	$ 2,169,657	$ 2,512,827
Receivables	102,149	1,238,632	-	12	3,336	1,344,129
Due from other funds	432	5,375	-	-	-	5,807
Stores inventories	-	48,742	-	-	-	48,742
Total Assets	$ 164,808	$ 1,529,653	$ 36,128	$ 7,923	$ 2,172,993	$ 3,911,505
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 130,570	$ 226,632	$ 26,955	$ -	$ -	$ 384,157
Due to other funds	31,127	40,471	9,173	-	-	80,771
Unearned revenue	2,575	973	-	-	-	3,548
Total Liabilities	164,272	268,076	36,128	-	-	468,476
Fund Balances:						
Nonspendable	-	48,742	-	-	-	48,742
Restricted	536	1,212,835	-	7,923	2,172,993	3,394,287
Total Fund Balances	536	1,261,577	-	7,923	2,172,993	3,443,029
Total Liabilities and Fund Balances	$ 164,808	$ 1,529,653	$ 36,128	$ 7,923	$ 2,172,993	$ 3,911,505

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, 2014

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds
REVENUES						
Federal sources	$ 343,358	$ 3,809,479	$ -	$ -	$ -	$ 4,152,837
Other State sources	2,046,549	301,163	-	-	-	2,347,712
Other local sources	535,010	515,190	27,446	7,923	607,451	1,693,020
Total Revenues	2,924,917	4,625,832	27,446	7,923	607,451	8,193,569
EXPENDITURES						
Current						
Instruction	2,401,214	-	-	-	-	2,401,214
Instruction-related activities:						
School site administration	327,898	-	-	-	-	327,898
Pupil services:						
Food services	-	4,349,762	-	-	-	4,349,762
Administration:						
All other administration	151,269	211,005	-	-	-	362,274
Plant services	44,000	12,600	394,643	-	-	451,243
Facility acquisition and construction	-	7,290	296,964	-	-	304,254
Debt service						
Principal	-	-	-	-	846,946	846,946
Total Expenditures	2,924,381	4,580,657	691,607	-	846,946	9,043,591
Excess (Deficiency) of Revenues Over Expenditures	536	45,175	(664,161)	7,923	(239,495)	(850,022)
Other Financing Sources (Uses)						
Transfers in	-	-	664,161	-	-	664,161
Net Financing Sources (Uses)	-	-	664,161	-	-	664,161
NET CHANGE IN FUND BALANCES	536	45,175	-	7,923	(239,495)	(185,861)
Fund Balance - Beginning	-	1,216,402	-	-	2,412,488	3,628,890
Fund Balance - Ending	$ 536	$ 1,261,577	$ -	$ 7,923	$ 2,172,993	$ 3,443,029

See accompanying note to supplementary information.

REDWOOD CITY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014

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:		$ 8,701,059
Reconciled item:		
Commodities Received	10.555	121,364
Total Schedule of Expenditures of Federal Awards		$ 8,822,423

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.

NOTE 1 - PURPOSE OF SCHEDULES - CONTINUED

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

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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

Governing Board
Redwood City School District
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redwood City School District (the District) as of and for the year ended June 30, 2014, 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, 2014.

Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

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 2014-001 and 2014-002 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.

Redwood City 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, 2014

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2014. 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.

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, 2014.

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, 2014

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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 *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* 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, 2014.

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. 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 opinion. Our audit does not provide a legal determination of Redwood City School District's compliance with those requirements.

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, 2014.

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 in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes, see below
Continuation Education	10	Not applicable
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not applicable
Mode of Instruction	1	Not applicable
Non Classroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not applicable
Annual Instruction Minutes Classroom-Based	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

We did not perform step 4 for independent study testing as the District does not have long term independent study.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 15, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

REDWOOD CITY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 84.173A	Special Education Cluster (IDEA)
10.553, 10.555, 10.558	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

REDWOOD CITY SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

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.

REDWOOD CITY SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

REDWOOD CITY SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None noted.

REDWOOD CITY SCHOOL DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2013-1 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, Roy Cloud School, North Star Academy, Kennedy Middle School, Selby Lane Elementary School:

- Tickets used for ticketed events were not always pre-numbered, instead ticket numbers were created manually. In addition, the ticket sale forms were not properly completed as the amounts collected from students were not documented.
- There was lack of segregation of duties where the school principal approved the check request form and signed the check for a reimbursement payable to the principal himself.
- Pre-numbered receipts were not always issued in sequential order.
- A few of disbursements noted seemed to be prohibited expenditures. At Clifford Elementary school, there were disbursements made for a yard duty contract, which should be the responsibility of the District.
- Deposits were not always made on a timely basis. For example, there was $740 cash collected in February 2013 which did not get to the bank until May 2013.
- Disbursements were not always properly supported by receiving documentation, invoices, or approved expenditure request forms.
- Revenue potential forms were not always used for major fundraiser events.
- Some of the cash count sheets for cash collections at fundraiser events were missing the teachers' signatures. In addition, there was no written documentation that the cash count sheets were reviewed by the vice principal or principal.
- At Clifford school, there was comingling of site cash and ASB funds. The same receipt book was used for site cash and ASB funds.

Questioned Costs
The questioned cost of $3,500 was associated with the prohibited expenditures. There were no questioned costs associated with other 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 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 2014-0001

2013-2 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 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.
- The supporting documentation for cash collection, such as cash count sheet, copies of checks received, deposit receipt, were not maintained at the site level.

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 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 review of the procedures should be preformed to detect errors.

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

Status
Partially implemented – see 2014-0002

2013-3 UNUSED VACATION CARRYOVER (60000)

Criteria or Specific Requirements
Good business practices limit the District's liabilities implementing a policy that limits how much unused vacation is allowed to carry forward to the subsequent year at the end of each fiscal year.

Condition
Significant Deficiency – The District does not have a policy in place for management personnel that limits the amount of unused vacation that can be carried forward to the subsequent year.

Questioned costs
There were no questioned costs associated with above condition.

Context
We noted the above matter while reviewing the District's schedule of compensated absences in the current and prior years.

Effect
This could potentially result in a financial hardship for the District if an employee carrying a large balance of unused vacation left the District and the District had to pay the employee for the unused balance.

Cause
The District does not have a policy in place to limit the amount of unused vacation that can be carried over to the subsequent year for management personnel and/or a policy that limits the amount of unused vacation that the District is liable to pay.

Recommendation
The District should adopt a policy that limits the amount of unused vacation that can be carried forward to the subsequent year. Those employees with excess unused vacation balance should be required to use the excess within a reasonable time or institute a pay-out of the excess balance on an annual basis.

Status
Implemented.

2013-4 COST PRINCIPLES FOR CHILD NUTRITION CLUSTER (50000)

Program: Child Nutrition Cluster
CDFA No: 10.553, 10.555, 10.558
Federal Grantor: U.S. Department of Agriculture. Passed Through California Department of Education (CDE)
Compliance Requirements: Cost Principles

Criteria or Specific Requirements
Per *OMB Circular A-87, "Cost Principles for State*, *Local, and Indian Tribal Governments" (2 CFR part 225)*, to be allowable under Federal awards, cost must meet one of the general criteria, which is to be determined in accordance with generally accepted accounting principles.

Condition
Significant Deficiency, *Instance of Non-compliance* – There were costs of $190,992 charged to the child nutrition program for its share of utilities and other operational costs. However, the amounts charged were based on the actual costs incurred in fiscal year 2007-2008.

Questioned costs
There are questioned costs of $190,992.

Context
The above condition was noted in our review the cash disbursements of the child nutrition programs.

Effect
The utilities and other operation costs charged to the child nutrition program might not be accurate.

Cause
The District did not have sufficient procedures in place to review the calculations for utilities and operation cost allocation on an annual basis.

Recommendation
We recommend the District determine the allocation for utilities and operation costs annually.

Corrective Action Plan
The District will update the allocation of utilities and operation costs annually.

Status
Implemented.

2013-5 INDEPENDENT STUDY (10000, 40000)

Criteria or Specific Requirements
It is the responsibility of the School to ensure that independent study agreement are filled out properly and meets the required written elements per Ed code 51747(C) particularly on obtaining the signatures from the involved parties before the beginning of the independent study.

Condition
Significant Deficiency, Instance of Non Compliance - During the site visit at Clifford Elementary School and Roy Cloud School, it was noted that some independent study agreements were incomplete or not completed properly.

- 15 out of 109 independent study agreements reviewed were missing the signature(s) of the involved parties.
- 10 out of 109 independent study agreements reviewed revealed that the contracts were signed by the involved parties after the start of the independent study.

Questioned Costs
There are questioned costs of $8,530 (1.33 ADA claimed from independent study programs at the above referenced site times based revenue limit of $6,413.55).

Context
Our testing of attendance at the sites revealed the above condition.

Effect
There were disallowable attendance apportionments claimed from independent study. The second period report of attendance was overstated by the 1.33 ADA (171 days divided by P-2 divisor of 129).

Cause
There was insufficient review and monitoring procedures on the completion of independent study agreements.

Recommendation
We recommend that the District continue to communicate the existing policies and procedures on independent study program to school personnel and provide necessary training at least annually to ensure completion of the independent study agreements.

Corrective Action Plan
The District will provide more training and direction on how to handle independent studies, including internal audits.

Status
Implemented

2013-6 SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria or Specific Requirements
Education Code 33126 (b)(8) states that school accountability report card should include the information on the safety, cleanliness, and adequacy of school facilities. The information reported in the School Accountability Report Card should be based on a completed "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the Office of Public School Construction and approved by the State Allocation Board, and applicable to the year audited, or a local evaluation instrument that meets the same criteria, pursuant to the provisions of subdivision (d) of Education Code Section 17002.

Condition
Significant Deficiency - The school facility conditions reported in the School Accountability Report Cards of Garfield School and Selby Lane Elementary School did not agree to the information contained in the FITs for those two schools.

Questioned costs
There are no questioned costs associated with the condition above.

Context
The discrepancies were revealed while performing audit procedures to the School Accountability Report Cards of Garfield School and Selby Lane Elementary School.

Effect
The facility conditions reported in those schools' School Accountability Report Cards were not accurate.

Cause
The District did not have sufficient internal controls and procedures in place to ensure that the information reported in the School Accountability Report Cards agrees with the FITs.

Recommendation
We recommend the District implement sufficient controls to ensure that the information reported in the School Accountability Report Cards agrees with the FITs.

Corrective Action Plan
The State of California realized that the SARC should not be 2 years in the rear and changed their requirements to "the most recent FIT available". This will avoid the confusion regarding which year and also align the County's request regarding the Williams Act.

Status
Implemented