Financial and Performance Audits
2015 Measure T Bond Fund
June 30, 2022

Redwood City School District

Redwood City School District
2015 Measure T Bond Fund
Table of Contents
June 30, 2022

FINANCIAL AUDIT

Financial Statements

Balance Sheet 4
Statement of Revenues, Expenditures, and Changes in Fund Balance 5
Notes to Financial Statements 6

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* 11

Schedule of Findings and Questioned Costs

Financial Statement Findings 13
Summary of Schedule of Prior Audit Findings 14

PERFORMANCE AUDIT

Independent Auditor's Report on Performance 15

Authority for Issuance 16

Purpose of Issuance 16

Authority for the Audit 17

Objective of the Audit 17

Scope of the Audit 18

Methodology 18

Conclusion 19

Financial Audit
2015 Measure T Bond Fund
June 30, 2022

Redwood City School District

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Governing Board, Management, and Citizens' Bond Oversight Committee of the
Redwood City Elementary School District
Redwood City, California

Report on the Financial Statements

Opinion

We have audited the financial statements of the portion of the Redwood City Elementary School District's (District) building fund specific to the 2015 Measure T General Obligation Bond Fund (Bond Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District's Bond Fund as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only a portion of the building fund specific to Measure T and do not purport to, and do not, present fairly the financial position of the Redwood City Elementary School District as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, on our consideration of the Bond Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bond Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bond Fund's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
March 24, 2023

Redwood City School District
2015 Measure T Fund
Balance Sheet
June 30, 2022

Assets	
Deposits and investments	$ 24,315,472
Receivables	318,473
Prepaid expenses	180,453
Total assets	$ 24,814,398
Liabilities and Fund Balance	
Liabilities	
Accounts payable, trade	6,205,999
Unearned revenue	8,168
Total liabilities	6,214,167
Fund Balance	
Nonspendable for prepaid expenses	180,453
Restricted for Measure T capital projects	18,419,778
Total fund balance	18,600,231
Total liabilities and fund balance	$ 24,814,398

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

Redwood City School District
2015 Measure T Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2022

Revenues	
Interest	$ 494,467
Net change in the fair value of investments	(1,075,293)
State sources	366,821
Local sources	327,033
Total revenues	113,028
Expenditures	
Capital outlay	
Salaries and benefits	409,787
Materials	300,038
Services	19,155
Noncapitalized equipment	720,091
Services and other operating expenditures	49,720
Construction	51,734,106
Total expenditures	53,232,897
Net change in fund balance	(53,119,869)
Fund Balance - Beginning	71,720,100
Fund Balance - Ending	$ 18,600,231

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

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.

Fund Balance – Measure T

As of June 30, 2022, the Measure T balance is classified as follows:

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.

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.

Revenues –Non-Exchange Transactions

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. 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: interest, certain grants, and other local sources.

Note 2 - Investments

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; registered State warrants or treasury notes: securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

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

General Authorizations

Limitations as they relate to interest rate risk, 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 is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the San Mateo County Treasury Investment Pool (County Pool). The balance of the Measure T bond fund’s investments with the County Pool were $24.3 million on June 30, 2022, with an average maturity of 2.17 years.

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, 2022.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Investment in the county treasury investment pool is not measured using the input levels because the participant's transactions are uncategorized. All contributions and redemptions are transacted at fair value measurements.

Note 3 - Commitments and contingencies

The Bond Fund 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 bond fund on June 30, 2022.

Note 4 - Subsequent Events

Changes in interest rates

As of January 31, 2023 the market value of the Bond Fund's June 30, 2022 investment portfolio is 97.1 percent of the book value, or $735.4 thousand unrealized market loss. Interest rates are expected to increase further, and it is expected as of the report date that the market value will likely decline further. The District's practice is to buy and hold investments until maturity; this minimizes the risk of loss for investment principal due to lower market values.

Independent Auditor's Report
June 30, 2022

Redwood City School District

EideBailly

CPAs & BUSINESS ADVISORS

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, Management, and Citizens' Bond Oversight Committee of the
Redwood City Elementary 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 Redwood City School District (District) 2015 Measure T Bond Fund (Bond Fund) as of and for the year ended June 30, 2022, and the related notes of the financial statements, and have issued our report thereon dated March 24, 2023.

Emphasis of Matter

As discussed in Note 1, the financial statements of the building fund specific to Measure T is intended to present the financial position and the changes in financial position attributable to the transactions of the Bond Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2022, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Fund 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Eide Bailly LLP

Menlo Park, CA
March 24, 2023

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Performance Audit
2015 Measure T Fund
June 30, 2022

Redwood City School District

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Performance

Governing Board, Management, and Citizens' Bond Oversight Committee of the
Redwood City Elementary School District
Redwood City, California

We were engaged to conduct a performance audit of the Redwood City School District's (District) 2015 Measure T Bond Fund (Bond Fund) for the year ended June 30, 2022.

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

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District expended Measure T Bond Funds only for the specific projects approved by the voters in accordance with Proposition 39, and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the Governing Board, Management, and Citizens' Bond Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Menlo Park, California
March 24, 2023

Authority for Issuance

The general obligation bonds associated with Measure T were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The District received authorization from an election held on November 3, 2015, to issue bonds of the District in an aggregate principal amount not to exceed $193,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District.

Purpose of Issuance

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

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

Authority for the Audit

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

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

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

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

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

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

Objectives of the Audit

1. Determine whether expenditures charged to the District’s Bond Fund have been made in accordance with the project list approved by the voters through the approval of Measure T.

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

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2021 to June 30, 2022. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2022, were not reviewed or included within the scope of our audit or in this report.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2022, for the 2015 Measure T. Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and 2015 Measure T as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing by vendor.

2. We selected a sample of expenditures using the following criteria:
    a. We considered all expenditures recorded in all object codes, including transfers out.
    b. We considered all expenditures recorded in all projects that were funded from July 1, 2021 through June 30, 2022 from Measure T bond proceeds.
    c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
    d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2021 and ending June 30, 2022.

3. Our sample included transactions totaling $36,223,012. This represents 67.9 percent of the total expenditures of $53,369,142 including transfers out.

4. We reviewed the actual invoices and other supporting documentation to determine that:
    a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
    b. Expenditures were expended in accordance with voter-approved bond project list.
    c. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.

5. We determined that the District has met the compliance requirement of Measure T if the following conditions were met:
    a. Supporting documents for expenditures were aligned with the voter-approved bond project list.
    b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the Districts.

Conclusion

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Measure T Bond Fund and that such expenditures were made for authorized Measure T bond projects. Further, it was noted funds held in the Measure T Fund and expended by the District were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.