

**SANTA ROSA CITY SCHOOLS
SCHOOL DISTRICT
COUNTY OF SONOMA
SANTA ROSA, CALIFORNIA**

AUDIT REPORT

June 30, 2022



Chavan & Associates, LLP

Certified Public Accountants
15105 Concord Circle, Ste. 130
Morgan Hill, CA 95037

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**SANTA ROSA CITY SCHOOLS
SONOMA COUNTY**

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**FINANCIAL
SECTION**



INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Santa Rosa City Schools
Santa Rosa, 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 Santa Rosa City Schools (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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 opinions.

Responsibilities of Management for the Financial Statements

District 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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 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 GAGAS, 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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.

Emphasis of a Matter

Deficit Net Position

As of June 30, 2022, the District's net position in its Government-wide financial statements was at a deficit of \$55,426,978 mostly because of the long-term pension and OPEB liabilities and deferrals as reported in Note 9 and 10. Our opinion is not modified with respect to this matter.

New Accounting Standards

During the year, the District implemented GASB Statement No. 87, *Leases*. As a result, the District recorded lease obligations of \$4,395,705 and net right of use assets of \$3,896,121, decreasing



beginning net position by \$499,584. See note 1 for additional information. Our opinion was not modified for this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools, and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

C & A LLP

December 12, 2022
Morgan Hill, California

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Management's Discussion and Analysis

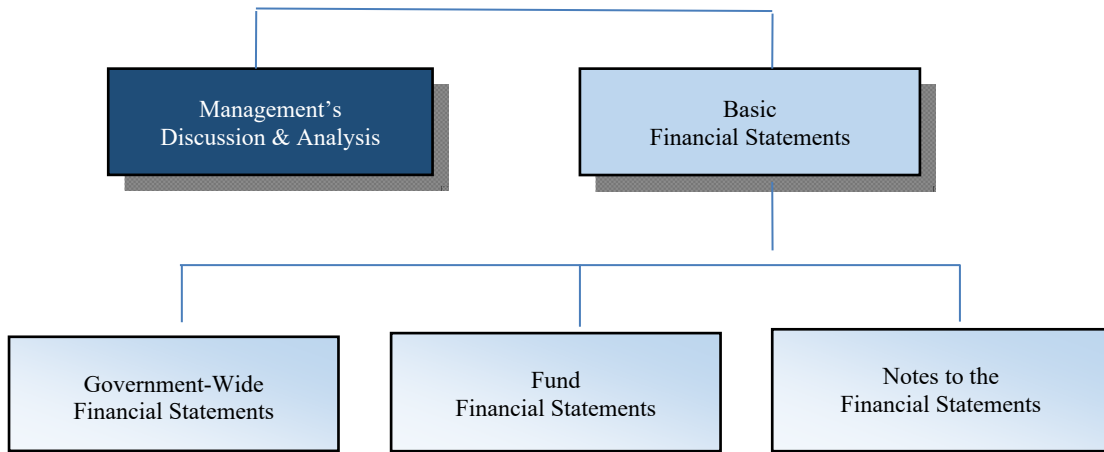
Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2022 were as follows:

- Total net position increased \$8,025,555 (12.6%) while unrestricted net position decreased by \$7,947,642, from June 30, 2021 to June 30, 2022. The change in unrestricted net position was mainly due to pension credits from earnings in cost sharing plans that exceeded expectations during the measurement period.
- The District recorded deferred outflows of resources of \$58,482,743 and deferred inflows of resources of \$90,441,482 as required by GASB 68 and GASB 75 for pension and other postemployment benefit accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had \$253,248,387 in government-wide expenses which was 97% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$74,680,065, or 29%, of the total revenues of \$261,087,539.

Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

- General revenues of \$186,407,474 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 71% of total revenues in 2022. General revenues were 72% of total revenue in fiscal year 2021.
- The fund balances of all governmental funds decreased by \$32,366,649, which is a 21.5% decrease from 2021 mostly due to capital outlay in the Building Fund.
- Total governmental fund revenues and expenditures totaled \$260,844,402 and \$294,657,68, respectively.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2021 - 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins on with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Charter School Fund, County School Facilities Fund, Building Fund and the Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. 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 future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Proprietary funds

When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for dental insurance.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022 as compared to June 30, 2021:

Table 1 - Summary of Statement of Net Position				
Description	2022	2021	Change	Percentage Change
Assets				
Current Assets	\$ 136,918,967	\$ 180,567,516	\$ (43,648,549)	-24.2%
Capital Assets	257,255,793	240,097,456	17,158,337	7.1%
Total Assets	\$ 394,174,760	\$ 420,664,972	\$ (26,490,212)	-6.3%
Total Deferred Outflows of Resources	\$ 58,482,743	\$ 51,360,963	\$ 7,121,780	12.2%
Liabilities				
Current Liabilities	\$ 21,914,279	\$ 31,649,316	\$ (9,735,037)	-30.8%
Long-term Liabilities	395,728,720	486,704,814	(90,976,094)	-18.7%
Total Liabilities	\$ 417,642,999	\$ 518,354,130	\$ (100,711,131)	-19.4%
Total Deferred Inflows of Resources	\$ 90,441,482	\$ 17,124,338	\$ 73,317,144	81.1%
Net Position				
Net Investment in Capital Assets	\$ 84,600,795	\$ 77,215,576	\$ 7,385,219	9.6%
Restricted	31,641,084	23,053,106	8,587,978	37.3%
Unrestricted	(171,668,857)	(163,721,215)	(7,947,642)	-4.9%
Total Net Position	\$ (55,426,978)	\$ (63,452,533)	\$ 8,025,555	12.6%

During the year, deferred outflows of resources increased by 12%, deferred inflows of resources decreased by 81%, and long-term liabilities decreased by 19% mostly because of pension adjustments related to GASB 68, debt service payments, and debt refundings. GASB 68 requires all local governments that participate in cost sharing pension plans to record its proportionate share of net pension liabilities from pension plans in the government-wide financial statements. GASB 75 requires all local governments that participate in other postemployment benefits (OPEB) to record the actuarially determined liability. There was no impact on fund balance as a result of GASB 68 or GASB 75.

Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

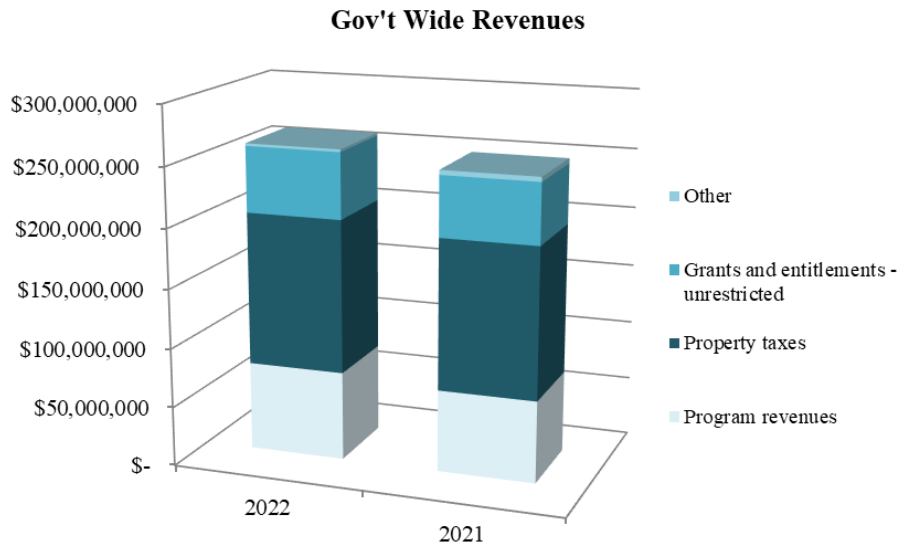
Table 2 shows the changes in net position for fiscal year 2022 as compared to 2021:

Table 2 - Summary of Changes in Statement of Activities				
Description	2022	2021	Change	Percentage Change
Revenues				
Program revenues	\$ 74,680,065	\$ 69,069,781	\$ 5,610,284	8.1%
General revenues:				
Property taxes	128,861,847	126,478,263	2,383,584	1.9%
Grants and entitlements - unrestricted	55,343,064	50,533,061	4,810,003	9.5%
Other	2,202,563	4,034,931	(1,832,368)	-45.4%
Total Revenues	261,087,539	250,116,036	10,971,503	4.4%
Program Expenses				
Instruction	145,853,979	142,027,105	3,826,874	2.7%
Instruction-related services	30,295,779	31,213,681	(917,902)	-2.9%
Pupil services	34,111,940	27,480,655	6,631,285	24.1%
General administration	13,552,525	15,720,526	(2,168,001)	-13.8%
Plant services	14,215,318	18,515,157	(4,299,839)	-23.2%
Ancillary services	7,316,702	4,216,480	3,100,222	73.5%
Community services	1,543,660	1,397,361	146,299	10.5%
Other outgo	539,226	523,211	16,015	3.1%
Interest on long-term debt	5,819,258	6,284,513	(465,255)	-7.4%
Total Expenses	253,248,387	247,378,689	5,869,698	2.4%
Special Item				
Loss on disposal of capital assets	-	(21,753,808)	21,753,808	#DIV/0!
Change in Net Position	7,839,152	(19,016,461)	26,855,613	141.2%
Begininng Net Position	(63,452,533)	(41,122,799)	(22,329,734)	-54.3%
Prior Period Adjustments	186,403	(3,313,273)	3,499,676	1877.5%
Ending Net Position	\$ (55,426,978)	\$ (63,452,533)	\$ 8,025,555	12.6%

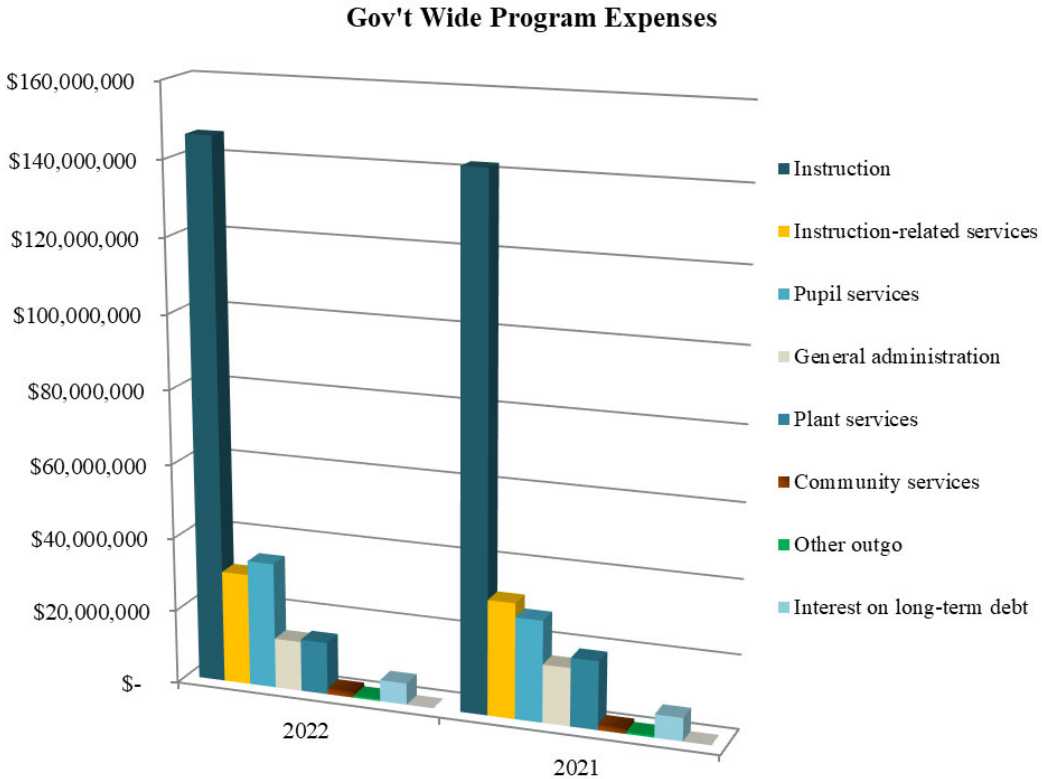
The District's expenses for instructional services was 70% of total expenses in 2021-2022 versus 70% in 2020-2021. The purely administrative activities of the District accounted for 5% of total costs in 2021-2022 versus 6% in 2020-2021. Interest on long-term debt represented 2% of total expenses in 2021-2022 and 3% in 2020-2021. Total expenses were 97% and 99% of revenue in 2021-2022 and in 2020-2021, respectively. In regard to revenue, program revenues were 29% of total revenues in 2021-2022 versus 28% in 2020-2021.

Santa Rosa City Schools
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2022

The following is a summary of government wide revenues for the fiscal year ended June 30, 2022:



The following is a summary of expenses by function for the fiscal year ended June 30, 2022:



Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services				
Description	2022	2021	Change	Percentage Change
Instruction	\$ 99,948,774	\$ 102,443,128	\$ (2,494,354)	-2.4%
Instruction-related services	24,738,057	24,969,462	(231,405)	-0.9%
Pupil services	17,499,561	15,631,120	1,868,441	12.0%
General administration	12,449,053	12,500,628	(51,575)	-0.4%
Plant services	12,459,473	13,127,932	(668,459)	-5.1%
Ancillary services	4,463,567	3,415,804	1,047,763	30.7%
Community services	1,543,660	94,307	1,449,353	1536.8%
Other outgo	(353,081)	(157,986)	(195,095)	55.3%
Interest on long-term debt	5,819,258	6,284,513	(465,255)	-7.4%
Total Net Cost of Services	\$ 178,568,322	\$ 178,308,908	\$ 259,414	0.15%

The following summarizes the District's functions:

- *Instruction* expenditures include activities directly dealing with the teaching of pupils.
- *Instruction-related Services* include the activities involved with assisting staff with the content and process of educating students.
- *Pupil Services* include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.
- *General Administration* reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.
- *Plant Services* involve keeping the school grounds and equipment in effective working condition.
- *Ancillary Services* represent the expenditures associated with co-curricular and athletic programs.
- *Community Services* are expenses related to direct support around the community.
- *Other Outgo* includes tuitions and transfers of resources between the District and other educational agencies for services provided to District students.

THE DISTRICT'S FUNDS

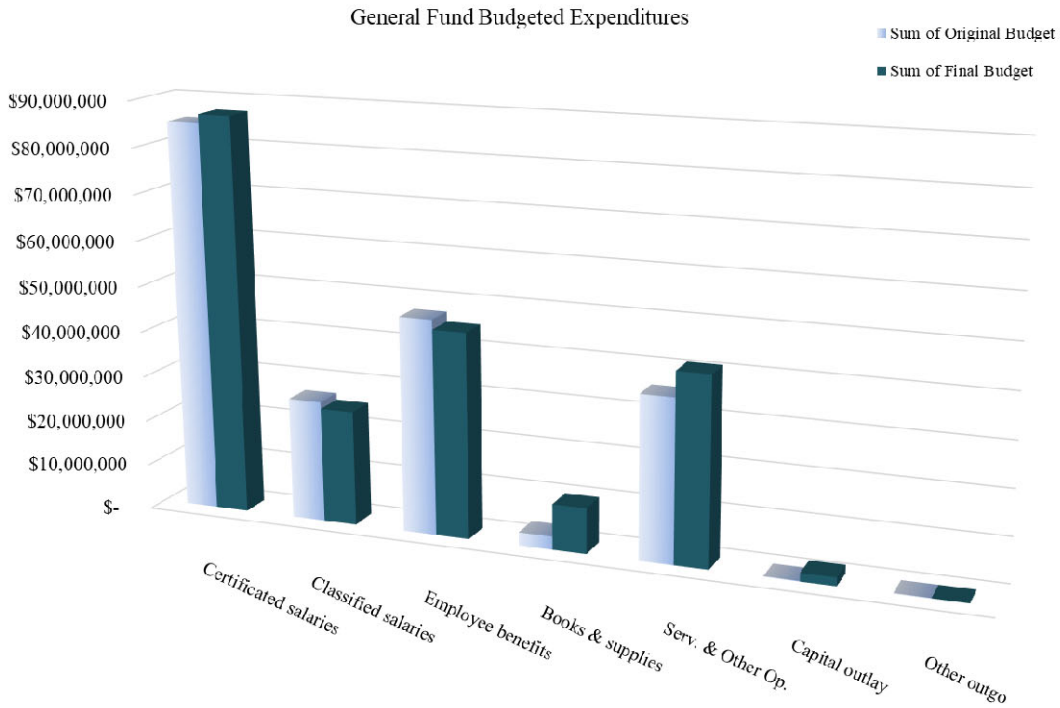
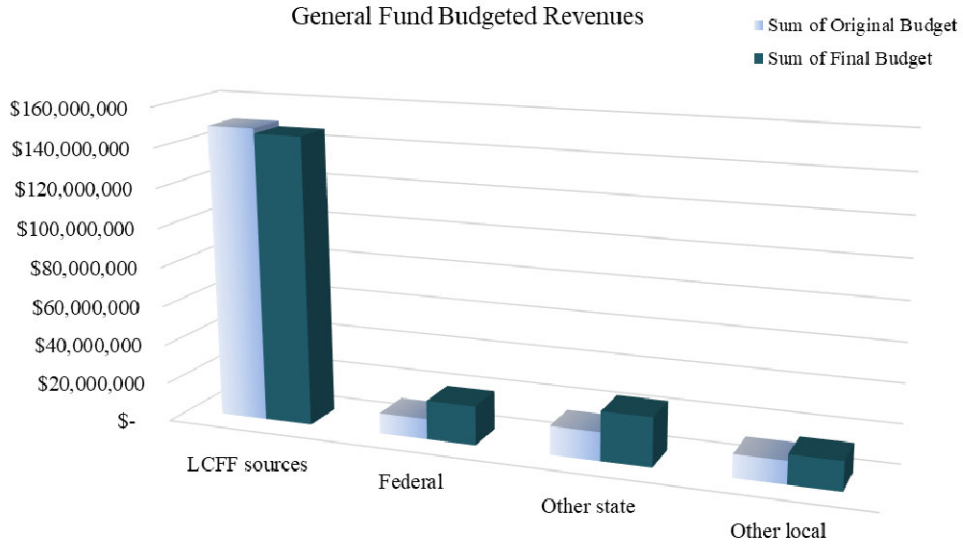
Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances				
Description	2022	2021	Change	Percentage Change
General Fund	\$ 33,341,361	\$ 35,438,945	\$ (2,097,584)	-5.9%
Charter School Fund	1,094,500	1,050,048	44,452	4.2%
County School Facilities Fund	(74,708)	-	(74,708)	100.0%
Building Fund	51,700,271	74,571,194	(22,870,923)	-30.7%
Bond Interest and Redemption Fund	14,114,421	23,511,100	(9,396,679)	-40.0%
Nonmajor Funds	18,112,935	16,084,142	2,028,793	12.6%
Total Fund Balances	\$ 118,288,780	\$ 150,655,429	\$ (32,366,649)	-21.5%

Santa Rosa City Schools
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE GENERAL FUND AND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2021-2022 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim. The following charts summarize the changes from the District's original and final budgets.



Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSETS

Table 5 shows June 30, 2022 balances as compared to June 30, 2021.

Table 5 - Summary of Capital Assets Net of Depreciation				
Description	2022	2021	Change	Percentage Change
Land	\$ 8,929,571	\$ 8,929,571	\$ -	0.0%
Work-in-Progress	45,736,564	48,199,899	(2,463,335)	-5.1%
Buildings and improvements	194,848,544	178,846,777	16,001,767	8.9%
Portable buildings	3,628,488	-	3,628,488	
Equipment	4,112,626	4,121,209	(8,583)	-0.2%
Total Capital Assets - Net	\$ 257,255,793	\$ 240,097,456	\$ 17,158,337	7.1%

See Note 4 for more information related to capital assets.

LONG TERM LIABILITIES

Table 6 summarizes the percent changes in long-term liabilities over the past two years.

Table 6 - Summary of Long-term Liabilities				
Description	2022	2021	Change	Percentage Change
General Obligation Bonds	\$ 227,684,634	\$ 246,922,800	\$ (19,238,166)	-7.8%
Charter School Facilities Program Loan	4,504,503	4,641,279	(136,776)	-2.9%
PG&E Energy Efficient Loans	4,265,394	4,748,423	(483,029)	-10.2%
Leased Portable Buildings	4,143,373	-	4,143,373	100.0%
Certificates of Participation	8,201,045	8,260,053	(59,008)	-0.7%
Net Pension Obligations	110,194,497	195,425,275	(85,230,778)	-43.6%
Net OPEB Obligation	34,683,056	24,752,522	9,930,534	40.1%
Compensated Absences	2,052,218	1,954,462	97,756	5.0%
Total Long-term Liabilities	\$ 395,728,720	\$ 486,704,814	\$ (90,976,094)	-18.7%

See Note 6 for more information related to long-term liabilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are a couple of factors that will affect the Santa Rosa City Schools' future.

The fiscal outlook forecasted for the economy, driven in large part by inflation, being close to or in a recession is a concern for the future fiscal health of education funding. If the State of California faces a budget deficit and lower state revenues the corresponding adjustments to Santa Rosa City School's revenues are a concern.

The District again had a decrease in ADA for 2021-22 and is concerned about more declining enrollment in future years.

The COVID-19 Pandemic continues to have a significant impact on student attendance. It is a concern that attendance rates will continue to be below historical averages and negatively affect the Districts funding. Since California is one of only six states that base funding on attendance, we must continue to incur expenses based

Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

on enrollment but only receive revenue for student attendance rates. Meaning no matter how many students we have enrolled, if their attendance rate is only 80%, we only receive 80% funding.

By far the largest unknown for California school districts is the Cost-of-Living Adjustment (COLA) to the state Local Control Funding Formula (LCFF), which determines the increase to funding schools will receive to be able to take on the rise in costs for expenses. Over the past years the state funded COLA has been somewhat volatile and arguably not as high as what school districts need to avoid dipping into reserves. When comparing the future year's projected COLA revenue increases to the projections for expense increases due to pension costs, employee step and column adjustments, and other increases in expenses, this leaves pause for concern. This increase from the COLA will also be the new revenue for future employee group negotiations as well.

Future predictions and uncertainties with the changes to the State funding formula, enrollment and aging District facilities require management to plan carefully and prudently to provide the necessary resources to meet the student's needs and continue to keep pace with inflation increases over the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Fiscal Services Office at 211 Ridgway Avenue, Santa Rosa, CA 95401 or call (707) 890-3800 ext. 80210.

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Basic Financial Statements

**SANTA ROSA CITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 114,383,662
Accounts receivable	22,095,947
Stores inventories and other assets	439,358
Total current assets	136,918,967
Noncurrent assets:	
Non-depreciable capital assets	54,666,135
Depreciable capital assets - net	202,589,658
Total noncurrent assets	257,255,793
Total Assets	\$ 394,174,760
Deferred Outflows of Resources	
Pension adjustments	\$ 48,417,919
OPEB adjustments	6,575,504
Deferred loss on early retirement of long-term debt	3,489,320
Total Deferred Outflows of Resources	\$ 58,482,743
Liabilities	
Current liabilities:	
Accounts payable	\$ 14,526,172
Unearned revenue	3,638,107
Accrued interest	3,750,000
Total current liabilities	21,914,279
Long-term liabilities:	
Due within one year	8,168,956
Due after one year	387,559,764
Total long-term liabilities	395,728,720
Total Liabilities	\$ 417,642,999
Deferred Inflows of Resources	
Pension adjustments	\$ 86,659,920
OPEB adjustments	3,781,562
Total Deferred Outflows of Resources	\$ 90,441,482
Net Position	
Net investment in capital assets	\$ 84,600,795
Restricted for:	
Capital projects	12,450,682
Cafeteria programs	2,818,593
Educational programs	16,371,809
Total restricted net position	31,641,084
Unrestricted	(171,668,857)
Total Net Position	\$ (55,426,978)

The notes to basic financial statements are an integral part of this statement

**SANTA ROSA CITY SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 145,853,979	\$ 1,321,572	\$ 43,533,795	\$ 1,049,838	\$ (99,948,774)
Instruction-related services:					
Supervision of instruction	7,447,342	119,426	3,469,122	-	(3,858,794)
Instruction library, media and technology	2,094,862	474	265,558	-	(1,828,830)
School site administration	20,753,575	31,349	1,671,793	-	(19,050,433)
Pupil services:					
Home-to-school transportation	7,762,852	520	20,100	-	(7,742,232)
Food services	7,450,259	1,199,963	8,553,323	-	2,303,027
All other pupil services	18,898,829	153,852	6,684,621	-	(12,060,356)
General administration:					
Data processing	1,286,662	-	-	-	(1,286,662)
All other general administration	12,265,863	58,931	1,044,541	-	(11,162,391)
Plant services	14,215,318	312,710	1,443,135	-	(12,459,473)
Ancillary services	7,316,702	64,956	2,788,179	-	(4,463,567)
Community services	1,543,660	-	-	-	(1,543,660)
Payments to other agencies	539,226	458,966	433,341	-	353,081
Interest on long-term debt	5,819,258	-	-	-	(5,819,258)
Total governmental activities	<u>\$ 253,248,387</u>	<u>\$ 3,722,719</u>	<u>\$ 69,907,508</u>	<u>\$ 1,049,838</u>	<u>(178,568,322)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					112,097,688
Taxes levied for debt service					15,549,824
Taxes levied for other specific purposes					1,214,335
Federal and state aid not restricted to specific purposes					55,343,064
Interest and investment earnings					666,412
Interagency revenues					95,575
Miscellaneous					1,440,576
Total general revenues and special items					<u>186,407,474</u>
Change in net position					<u>7,839,152</u>
Net position beginning					(63,452,533)
Prior period adjustments					186,403
Net position beginning, as adjusted					<u>(63,266,130)</u>
Net position ending					<u>\$ (55,426,978)</u>

The notes to basic financial statements are an integral part of this statement

**SANTA ROSA CITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Charter School Fund	County School Facilities Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 25,729,218	\$ 7,444,288	\$ 2,117,914	\$ 48,473,076	\$ 14,114,421	\$ 14,224,080	\$ 112,102,997
Accounts receivable	15,781,949	1,212,199	1,243,957	-	-	3,857,288	22,095,393
Due from other funds	9,237,399	389,159	833,355	3,952,341	-	2,412,004	16,824,258
Stores inventories and other assets	238,825	-	-	-	-	200,533	439,358
Total Assets	\$ 50,987,391	\$ 9,045,646	\$ 4,195,226	\$ 52,425,417	\$ 14,114,421	\$ 20,693,905	\$ 151,462,006
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 12,509,312	\$ 417,346	\$ 466,105	\$ 725,146	\$ -	\$ 310,125	\$ 14,428,034
Due to other funds	2,983,031	7,145,171	3,803,829	-	-	1,175,054	15,107,085
Unearned revenue	2,153,687	388,629	-	-	-	1,095,791	3,638,107
Total Liabilities	17,646,030	7,951,146	4,269,934	725,146	-	2,580,970	33,173,226
Fund balances:							
Nonspendable:							
Revolving fund	36,750	1,500	-	-	-	200	38,450
Stores inventory	238,825	-	-	-	-	200,533	439,358
Restricted for:							
Cafeteria programs	-	-	-	-	-	2,818,593	2,818,593
Capital projects	-	-	-	51,700,271	-	12,450,682	64,150,953
Educational programs	15,395,020	976,789	-	-	-	-	16,371,809
Debt service	-	-	-	-	14,114,421	-	14,114,421
Assigned for:							
Educational programs	559,237	-	-	-	-	-	559,237
Capital projects	-	-	-	-	-	1,919,764	1,919,764
Charter school programs	-	116,211	-	-	-	-	116,211
Child care program	-	-	-	-	-	5,805	5,805
Deferred maintenance	-	-	-	-	-	717,358	717,358
Unassigned:							
Economic uncertainties	5,826,170	-	-	-	-	-	5,826,170
Unappropriated	11,285,359	-	(74,708)	-	-	-	11,210,651
Total Fund Balances	33,341,361	1,094,500	(74,708)	51,700,271	14,114,421	18,112,935	118,288,780
Total Liabilities and Fund Balances	\$ 50,987,391	\$ 9,045,646	\$ 4,195,226	\$ 52,425,417	\$ 14,114,421	\$ 20,693,905	\$ 151,462,006

The notes to basic financial statements are an integral part of this statement

**SANTA ROSA CITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balances - governmental funds \$ 118,288,780

Amounts reported 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.

Capital assets at cost	\$ 508,748,825	
Accumulated depreciation	<u>(251,493,032)</u>	257,255,793

Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements. 48,417,919

The differences from pension plan assumptions in actuarial valuations are not included in the plans' actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position. (86,659,920)

The differences between projected and actual amounts in OPEB plans are not included in the plan's actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:

Contributions subsequent to the measurement date		1,845,404
Diff. actual and expected experience		3,653,034
Change in assumptions		1,077,066
Change in assumptions		(3,781,562)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds. (3,750,000)

An internal service fund is used by management to charge the costs of other postemployment benefits to individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 465,908

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:

General obligation bonds	\$ 227,684,634	
Certificates of participation	8,201,045	
Loss on early retirement of long-term debt	(3,489,320)	
School Facilities Loan	4,504,503	
PG&E Energy Efficient Loans	4,265,394	
Leases	4,143,373	
Net pension obligations	110,194,497	
Total OPEB obligation	34,683,056	
Compensated absences (vacation)	<u>2,052,218</u>	<u>(392,239,400)</u>

Total net position - governmental activities \$ (55,426,978)

The notes to basic financial statements are an integral part of this statement

SANTA ROSA CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Charter School Fund	County School Facilities Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
LCFF sources	\$146,221,115	\$17,646,025	\$ -	\$ -	\$ -	\$ -	\$ 163,867,140
Federal revenue	20,033,624	181,206	-	-	-	8,228,007	28,442,837
Other state	27,103,268	2,207,765	1,052,153	-	80,834	1,334,167	31,778,187
Other local	18,024,446	(143,208)	(77,022)	(1,305,666)	15,493,821	4,763,867	36,756,238
Total revenues	211,382,453	19,891,788	975,131	(1,305,666)	15,574,655	14,326,041	260,844,402
Expenditures:							
Current							
Instruction	126,955,250	13,226,530	-	-	-	791,800	140,973,580
Instruction-related services:							
Supervision of instruction	6,910,806	765,132	-	-	-	-	7,675,938
Instruction library, media and technolog	1,423,063	129,996	-	-	-	-	1,553,059
School site administration	16,936,843	1,914,828	-	-	-	-	18,851,671
Pupil services:							
Home-to-school transportation	8,000,749	383	-	-	-	-	8,001,132
Food services	-	-	-	-	-	7,422,007	7,422,007
All other pupil services	18,787,728	691,199	-	-	-	-	19,478,927
General administration:							
Data processing	889,370	-	-	-	-	-	889,370
All other general administration	10,355,140	1,974,965	-	-	-	222,979	12,553,084
Plant services	15,774,134	1,054,952	34,425	1,191,195	-	766,254	18,820,960
Facilities acquisition and construction	1,099,120	-	1,015,414	20,147,016	-	2,326,077	24,587,627
Ancillary services	4,794,248	89,351	-	-	-	-	4,883,599
Community services	1,591,043	-	-	-	-	-	1,591,043
Payments to other agencies	114,290	-	-	-	-	441,488	555,778
Debt service:							
Principal	735,361	-	-	136,776	15,995,000	125,000	16,992,137
Interest and fees	163,528	-	-	440,880	8,976,334	246,994	9,827,736
Total expenditures	214,530,673	19,847,336	1,049,839	21,915,867	24,971,334	12,342,599	294,657,648
Excess (deficiency) of revenues over (under) expenditures	(3,148,220)	44,452	(74,708)	(23,221,533)	(9,396,679)	1,983,442	(33,813,246)
Other financing sources (uses):							
Transfers in	1,719,258	-	-	-	-	45,351	1,764,609
Transfers out	(664,609)	-	-	-	-	-	(664,609)
Debt issuance	-	-	-	46,527,000	-	-	46,527,000
Bond defeasance	-	-	-	(46,176,390)	-	-	(46,176,390)
Total other financing sources (uses)	1,054,649	-	-	350,610	-	45,351	1,450,610
Net changes in fund balances	(2,093,571)	44,452	(74,708)	(22,870,923)	(9,396,679)	2,028,793	(32,362,636)
Fund balances beginning	35,438,945	1,050,048	-	74,571,194	23,511,100	16,084,142	150,655,429
Prior period adjustments	(4,013)	-	-	-	-	-	(4,013)
Fund balances beginning - as adjusted	35,434,932	1,050,048	-	74,571,194	23,511,100	16,084,142	150,651,416
Fund balances ending	\$ 33,341,361	\$ 1,094,500	\$ (74,708)	\$ 51,700,271	\$ 14,114,421	\$ 18,112,935	\$ 118,288,780

The notes to basic financial statements are an integral part of this statement

SANTA ROSA CITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds \$ (32,362,636)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets additions	\$	28,692,639	
Depreciation expense		(15,430,423)	13,262,216

Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements. (65,992)

The governmental funds report long-term debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of prepaid issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of debt principal		16,992,137	
Amortization of bond premiums		2,903,776	
Amortization of loss on early retirement of long-term debt		(330,749)	
Debt issuances		(46,527,000)	
Gain on early retirement of long-term debt		2,191,443	
Advance refunding of bonds		46,176,390	

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by: (97,756)

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 12,631,053

In governmental funds, actual contributions to the OPEB plan is reported as expenditures in the year incurred. However, in the government-wide Statement of Activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (5,386,867)

An internal service fund is used by management to charge the costs of other postemployment benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities (856,863)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (690,000)

Changes in net position of governmental activities \$ 7,839,152

The notes to basic financial statements are an integral part of this statement

**SANTA ROSA CITY SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Internal Service Self Insurance Fund
Assets	
Cash	\$ 2,280,665
Accounts receivable	554
Due from other funds	182,827
Total Assets	\$ 2,464,046
Liabilities	
Accounts payable	\$ 98,138
Due to other funds	1,900,000
Total Liabilities	\$ 1,998,138
Net Position	
Restricted	\$ 465,908
Total Net Position	\$ 465,908

The notes to basic financial statements are an integral part of this statement

SANTA ROSA CITY SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Internal Service Self Insurance Fund
Operating Revenues	
Charges to other funds	\$ 2,294,229
Operating Expenses	
Services and other operating expenditures	1,985,937
Operating Income (Loss)	308,292
Nonoperating Revenues (Expenses):	
Interest income	(65,155)
Income Before Transfers	243,137
Transfers to Other Funds	(1,100,000)
Change in Net Position	(856,863)
Beginning Net Position	1,322,771
Ending Net Position	\$ 465,908

The notes to basic financial statements are an integral part of this statement

**SANTA ROSA CITY SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2022**

	<u>Internal Service Self Insurance Fund</u>
Cash Flows from Operating Activities	
Cash received from assessments made to other funds	\$ 2,234,000
Cash paid for insurance and operating expenses	<u>(2,012,118)</u>
Net cash provided by (used for) operating activities	221,882
 Cash Flows from Investing Activities	
Interest income (loss)	<u>(65,155)</u>
 Increase in Cash and Cash Equivalents	 156,727
Cash and Cash Equivalents - Beginning	<u>2,123,938</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 2,280,665</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 308,292
(Increase) decrease in accounts receivable	(554)
(Increase) decrease in due from other funds	(59,675)
Increase (decrease) in accounts payable	<u>(26,181)</u>
Net cash provided by operating activities	<u><u>\$ 221,882</u></u>

The notes to basic financial statements are an integral part of this statement

SANTA ROSA CITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Expendable Trust <u>Scholarship Fund</u>
Assets	
Cash in banks	\$ 24,804
Total Assets	<u>\$ 24,804</u>
Net Position	
Restricted	<u>\$ 24,804</u>
Total Net Position	<u>\$ 24,804</u>

The notes to financial statements are an integral part of this statement.

**SANTA ROSA CITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Expendable Trust Scholarship Fund
Additions	
Other local revenues	\$ 23,378
Deductions	
Other services and operating expenses	<u>13,052</u>
Changes in net position	10,326
Net position beginning	<u>14,478</u>
Net position ending	<u><u>\$ 24,804</u></u>

The notes to financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

**SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

Santa Rosa City Schools (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The account policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The District does not have any component units and is not a component unit of any reporting entity for the fiscal year ended June 30, 2022.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as 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 of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from non-exchange transactions or ancillary activities.

Fiduciary funds are reported using the economic resources measurement focus as applicable.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid

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apportionments, the California Department of Education has defined available for district as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply.

The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding which is reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension and total OPEB liabilities reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an

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acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension and OPEB liabilities reported which is in the Statement of Net Position.

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. The District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay Projects. This fund is not substantially composed of restricted or committed revenue sources and does not meet the definition of a special revenue fund. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

The *Charter Schools Fund* is used to account for the operations of the District's Charter Schools.

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The *County School Facilities Fund* is used to account for apportionments from the State Schools Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects and facility hardship grants.

The *Building Fund* is used to account for the acquisition and construction of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is used to account for the interest and redemption of principal of general obligation bonds.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund.

The District maintains the following nonmajor special revenue funds:

- The *Child Development Fund* is used to account for revenues received and expenditures made to the child development program subcontracted by the District.
- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.
- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects funds:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act ("CEQA").
- The *Special Reserve Fund for Capital Outlay Projects* exists primarily to account for funds set aside for Board designated construction projects.

Proprietary Funds:

Proprietary Fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

- *Internal Service Fund* - The Self Insurance Fund is used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates this fund to account for dental insurance premiums.

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Fiduciary Funds:

Fiduciary Fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore cannot be used to support the District's own programs. The District maintains the following fiduciary funds:

- The *Scholarship Fund* is used to account for assets held by the District as trustee.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

H. Benefit Plans

Pensions:

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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The following summarizes the District’s pension plan balances for the fiscal year:

	PERS	STRS	Total
Deferred outflows of resources	\$ 15,587,091	\$ 32,830,828	\$ 48,417,919
Deferred inflows of resources	\$ 17,388,725	\$ 69,271,195	\$ 86,659,920
Net pension liabilities	\$ 39,844,506	\$ 70,349,991	\$ 110,194,497
Pension expense (credit)	\$ 5,564,634	\$ 13,982,696	\$ 19,547,330

Other Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the District’s Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's total OPEB liability have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2021

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other Districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by *Government Code* Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District’s securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made. The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

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In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Inventories and Prepaid Expenditures

Inventories:

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets. The District’s central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption.

Prepaid Expenditures:

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, or when consumed.

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The District utilizes a capitalization threshold of \$5,000 except for right of use leased assets which have a threshold of \$25,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation/amortization.

The purpose of depreciation and amortization is to spread the cost of capital assets equitably among all users over the life of these assets. The useful life of right of use assets is typically

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determined by the associated lease term of those assets. The amount charged to depreciation and amortization expense each year represents that year’s pro rata share of the cost of capital assets. The District depreciates using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated or amortized.

All capital assets, except land and construction in progress, are depreciated or amortized over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Furniture and fixtures	20
Vehicles	8
Computer system and equipment	5

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

6. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

7. Fund Balance Policy and Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

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In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assignments may be identified by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net 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. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2022, capital assets net of accumulated depreciation totaling \$257,255,793 was increased by unspent bond proceeds of \$51,700,270 and reduced by related debt of \$224,355,268. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital projects restrictions will be used for the acquisition and construction of capital facilities.

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Debt service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants, as applicable.

Cafeteria program restrictions reflect the amounts to be expended for federal and state funded school lunch and breakfast programs.

Educational program restrictions reflect the amounts to be expended on specific school programs that are legally restricted.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

9. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

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, 2022, the District participated in the Northern California ReLiEF public entity risk pool for property and liability insurance coverage. 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.

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Workers' Compensation:

For fiscal year 2022, the District participated in the RESIG JPA for workers compensation.

11. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

12. Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated and reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

13. Accounting Estimates

The presentation of 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 reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Implemented Accounting Pronouncements

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As of June 30, 2022, the District recognized seven contracts as leases and implemented the applicable accounting and reporting requirements of a lessee under GASB 87.

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The following schedule summarizes the lease balances and the impact on beginning net position in addition to other prior period adjustments recognized in the statement of activities:

Description	Right of Use Asset	Lease Liability	GASB 87		Net PPA
			Prior Period Adjustment	Other Adjustments	
Initial Net Present Value	\$ 6,690,814	\$ 6,690,814	\$ -	\$ -	\$ -
Accumulated Amortization	(2,794,693)	-	(2,794,693)	-	(2,794,693)
Miscellaneous Expenses	-	-	-	(4,013)	(4,013)
Bond Refundings	-	-	-	690,000	690,000
Principal Payments	-	(2,295,109)	2,295,109	-	2,295,109
Beginning Balances 7/1/2021	3,896,121	4,395,705	\$ (499,584)	\$ 685,987	\$ 186,403
Current Amortization	(267,633)	-			
Current Principal Payments	-	(252,332)			
Ending Balances 6/30/2022	\$ 3,628,489	\$ 4,143,373			

K. Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 91, Conduit Debt Obligations

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged.

GASB Statement No. 94, Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this

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Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*. GASB 96 is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – *Leases*, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 – CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2022 is as follows:

Description	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash in bank	\$ 1,003,569	\$ 1,003,569
Cash with fiscal agent	139,342	139,342
Cash in revolving fund	38,450	38,450
Cash with County	113,202,301	113,202,301
Total Cash and Investments	\$ 114,383,662	\$ 114,383,662

Cash on Hand, in Banks and in Revolving Fund

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2022, the bank balance of the District's bank accounts was \$1,395,568, of which \$903,400 was not insured by the FDIC.

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Cash with Fiscal Agent:

Cash with fiscal agent represents the amount on deposit with Summit State Bank for the purpose of making dental insurance premium payments from the District's Self Insurance Fund.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2022:

Investments in the Sonoma County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Cash 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.

Policies and Practices

The District is authorized under California Government Code Section 53635 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.

Limitations as they relate to interest rate risk, credit risk, custodial credit risk - deposits, and concentration of credit risk are described below:

1. 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 changes in market interest rates. The District manages its exposure to interest rate risk by

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investing in the County Treasury. The District maintains an investment with the Sonoma County Investment Pool with a fair value of approximately \$3.2 billion and an amortized book value of \$3.33 billion. The average weighted maturity for this pool is 651 days.

2. 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 County of Sonoma’s investment pool is not rated, however, the investments within the pool are rated A by Standard & Poor’s and Moody’s Investor Services.

3. Custodial Credit Risk - Deposits

Custodial credit risk 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 agencies. 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.

4. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2022:

Receivables	General Fund	Charter School Fund	County Schools Facilities Fund	Nonmajor Funds	Total
Federal	\$ 10,728,817	\$ -	\$ -	\$ 2,214,076	\$ 12,942,893
State	3,847,947	106,959	1,243,957	1,349,076	6,547,939
Local	201,571	15,623	-	294,136	511,330
Other resources	1,003,614	1,089,617	-	-	2,093,231
Total Accounts Receivable	\$ 15,781,949	\$ 1,212,199	\$ 1,243,957	\$ 3,857,288	\$ 22,095,393

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NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2022 were as follows:

Capital Assets	Balance July 01, 2020	GASB 87 Adjustments	Additions	Transfers & Deletions	Balance June 30, 2021
Nondepreciable capital assets					
Land	\$ 8,929,571	\$ -	\$ -	\$ -	\$ 8,929,571
Work-in-progress	48,199,899	-	24,587,626	(27,050,961)	45,736,564
Total nondepreciable capital assets	<u>57,129,470</u>	-	<u>24,587,626</u>	<u>(27,050,961)</u>	<u>54,666,135</u>
Depreciable capital assets					
Buildings and improvements	408,137,190	-	30,592,000	-	438,729,190
Furniture and equipment	8,098,712	-	563,974	-	8,662,686
Total depreciable capital assets	<u>416,235,902</u>	-	<u>31,155,974</u>	-	<u>447,391,876</u>
Amortizable right of use assets					
Portable buildings	-	6,690,814	-	-	6,690,814
Total depreciable and amortizable assets	<u>416,235,902</u>	<u>6,690,814</u>	<u>31,155,974</u>	-	<u>454,082,690</u>
Less accumulated depreciation for:					
Buildings and improvements	229,290,413	-	14,590,233	-	243,880,646
Furniture and equipment	3,977,503	-	572,557	-	4,550,060
Total accumulated depreciation	<u>233,267,916</u>	-	<u>15,162,790</u>	-	<u>248,430,706</u>
Less accumulated amortization for:					
Portable buildings	-	2,794,693	267,633	-	3,062,326
Total accumulated depreciation and amortization	<u>233,267,916</u>	<u>2,794,693</u>	<u>15,430,423</u>	-	<u>251,493,032</u>
Total capital assets - net depreciation	<u>\$ 240,097,456</u>	<u>\$ 3,896,121</u>	<u>\$ 40,313,177</u>	<u>\$ (27,050,961)</u>	<u>\$ 257,255,793</u>

Depreciation and amortization expense was charged to governmental activities as follows:

Instruction	\$ 8,980,950
Instruction library, media and technology	588,054
School site administration	2,463,322
Food services	249,285
Data processing	423,778
All other general administration	86,620
Plant services	59,873
<u>Ancillary services</u>	<u>2,578,541</u>
Total depreciation and amortization expense	<u>\$ 15,430,423</u>

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2022 were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 1,719,258	\$ 664,609
Internal Service Funds	-	1,100,000
Nonmajor Funds	45,351	-
Totals	\$ 1,764,609	\$ 1,764,609

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2022:

Fund	Due From	Due To
General Fund	\$ 9,237,399	\$ 2,983,031
Charter School Fund	389,159	7,145,171
County School Facilities Fund	833,355	3,803,829
Building Fund	3,952,341	-
Internal Service Self Insurance Fund	182,827	1,900,000
Nonmajor Funds	2,412,004	1,175,054
Totals	\$ 17,007,085	\$ 17,007,085

NOTE 6 – LONG-TERM LIABILITIES

Schedule of Changes in Long-term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2022, is shown below:

Description	Balance July 01, 2021	GASB 87 Adjustments	Additions	Deletions	Balance June 30, 2022	Due Within One Year
General Obligation Bonds	\$ 246,922,800	\$ -	\$ 46,527,000	\$ 65,765,166	\$ 227,684,634	\$ 7,159,000
Direct Borrowing:						
School Facilities Program Loan	4,641,279	-	-	136,776	4,504,503	139,535
PG&E Energy Efficient Loans	4,748,423	-	-	483,029	4,265,394	483,029
Leased Portable Buildings	-	4,395,705	-	252,332	4,143,373	262,141
Certificates of Participation:						
Principal Payments	7,943,372	-	-	125,000	7,818,372	125,251
Accreted Interest	316,681	-	65,992	-	382,673	-
Total COP's	8,260,053	-	65,992	125,000	8,201,045	125,251
Net Pension Liability	195,425,275	-	83,360,251	168,591,029	110,194,497	-
Total OPEB Liability	24,752,522	-	16,404,652	6,474,118	34,683,056	-
Compensated Absences	1,954,462	-	1,135,732	1,037,976	2,052,218	-
Total Long-term Liabilities	\$ 486,704,814	\$ 4,395,705	\$ 147,493,627	\$ 242,865,426	\$ 395,728,720	\$ 8,168,956

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues. Compensated absences, other postemployment benefits and pension obligations are paid by the fund for which the employee worked. Leases and the PG&E loan are paid from the General Fund.

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The School Facilities loan is paid from the Building Fund. The Certificates of Participation are paid from the Special Reserve Fund for Capital Outlay.

General Obligation Bonds Payable

2015 General Obligation Refunding Bonds

On February 25, 2015, the District issued \$27,370,000 (High School District) and \$5,415,000 (Elementary School District) of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from May 1, 2015 through May 1, 2022. The net proceeds of \$36,623,038 (after premiums of \$3,936,393 and issuance costs and underwriter's discount of \$399,572) were used to prepay a portion of the District's outstanding Election of 2006, Series 2006 Bonds. These bonds were fully redeemed during the year.

2016 General Obligation Bonds

In 2016, the District issued \$9,500,000 in 2014 General Obligation Bonds, Series 2016A and 2016B, (Elementary School District), with an interest rate of 2-5%, for capital projects throughout the District. The District also issued \$12,165,000 in 2014 General Obligation Bonds, Series 2016A, (High School District), with an interest rate of 2-4%, for capital projects throughout the District. The net proceeds of \$22,098,070 (after payment of \$450,220 in underwriting fees, insurance, and other issuance costs and premiums of \$883,290).

In 2017, the District issued \$15,000,000 in 2014 General Obligation Bonds, Series 2016C, (Elementary School District), with an interest rate of 2-5% for capital projects throughout the District. The District also issued \$50,000,000 in 2014 General Obligation Bonds, Series 2016B, (High School District), with an interest rate of 2-5% for capital projects throughout the District. The net proceeds of \$71,420,188 (after payment of \$540,000 in issuance costs and premiums of \$6,960,188).

2017 General Obligation Refunding Bonds

In September 2017, the District issued \$21,090,000 (High School District) of 2017 General Obligation Refunding Bonds. The net proceeds of \$25,154,768 (after a premium of \$4,348,710 and issuance cost of \$283,942) were used to defease and redeem \$8,775,000 and \$13,385,000 of the District's outstanding 2011 and 2013 GO Refunding Bonds, respectively. The amounts defeased have been removed from the government-wide financial Statement of Net Position. The District completed the refunding to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,188,806. The bonds bear interest from 2.0% to 5.0%. Interest is due semi-annually on February 1 and August 1, commencing February 1, 2018. Principal payments begin August 1, 2018 and are due annually thereafter until August 1, 2028.

2018 General Obligation Bonds

In May 2018, the District issued \$10,000,000 and \$3,000,000 in 2014 General Obligation Bonds, Series 2018D and 2018E, (Elementary School District), with an interest rates of 3-5%, for capital projects throughout the District. The net proceeds of \$14,276,898 (after payment of \$280,955 in issuance costs and premiums of \$1,557,853). Interest is due semi-annually on February 1 and August 1, commencing August 1, 2018. For Series 2018D principal payments begin August 1, 2026 and are due annual thereafter until August 1, 2043. For Series 2018E principal payments begin August 1, 2019 and are due annually thereafter until August 1, 2021.

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In May 2018, the District issued \$65,000,000 and 5,000,000 in 2014 General Obligation Bonds, Series 2018C and Series 2018D, (High School District), with an interest rates of 3-5%, for capital projects throughout the District. The net proceeds of \$78,734,290 (after payment of \$647,802 in issuance costs and premiums of \$9,382,092 Interest is due semi-annually on February 1 and August 1, commencing August 1, 2018. For Series 2018C principal payments begin August 1, 2020 and are due annual thereafter until August 1, 2043. For Series 2018D only one principal payment is due on August 1, 2019.

2021 General Obligation Bonds, Series E

In May 2021, the District issued \$42,835,000 in 2021 General Obligation Bonds, Series E for capital projects throughout the District. The net proceeds were \$49,090,118 after premiums of \$6,643,264 and the payment of \$388,146 in issuance costs. Interest is due semi-annually on February 1 and August 1, commencing August 1, 2021. Principal payments begin August 1, 2021 and are due annually thereafter until August 1, 2043.

2021 General Obligation Refunding Bonds

In May 2021, the District issued \$5,080,000 of 2021 General Obligation Refunding Bonds. The net proceeds of \$4,969,662 (after issuance costs of \$110,338) were used to defease and redeem a portion of the District's outstanding 2013 General Obligation Refunding Bonds. The amounts defeased have been removed from the government-wide Statement of Net Position. The District completed the refunding to obtain an economic gain of \$286,451. Interest is due semi-annually on February 1 and August 1, commencing August 1, 2021. Principal payments begin August 1, 2021 and are due annually thereafter until August 1, 2030.

2021 General Obligation Bonds, Series F

In May 2021, the District issued \$16,500,000 in 2021 General Obligation Bonds, Series F for capital projects throughout the District. The net proceeds were \$18,749,628 after premiums of \$2,521,510 and the payment of \$271,882 in issuance costs. Interest is due semi-annually on February 1 and August 1, commencing August 1, 2021. Principal payments begin August 1, 2021 and are due annually thereafter until August 1, 2043.

2021 General Obligation Refunding Bonds, Series A

In May 2021, the District issued \$1,830,000 of 2021 General Obligation Refunding Bonds. The net proceeds of \$1,956,338 (after issuance costs of \$82,578 and premiums of \$208,916) were used to defease and redeem a portion of the District's outstanding 2011 General Obligation Refunding Bonds. The amounts defeased have been removed from the government-wide Statement of Net Position. The District completed the refunding to obtain an economic gain of \$46,308. Interest is due semi-annually on February 1 and August 1, commencing February 1, 2022. Principal payments begin August 1, 2022 and are due annually thereafter until August 1, 2026.

2021 General Obligation Refunding Bonds, Series B

In May 2021, the District issued \$5,325,000 of 2021 General Obligation Refunding Bonds. The net proceeds of \$5,258,724 (after issuance costs of \$66,276) were used to defease and redeem a portion of the District's outstanding 2013 General Obligation Refunding Bonds. The amounts defeased have been removed from the government-wide Statement of Net Position. The District completed the refunding to obtain an economic gain of \$343,737. Interest is due semi-annually on February 1 and August 1,

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commencing August 1, 2021. Principal payments begin August 1, 2021 and are due annually thereafter until August 1, 2030.

2022 General Obligation Refunding Bonds, Elementary (2014C&D)

In June 2022, the District issued \$22,849,000 of 2022 General Obligation Refunding Bonds. The net proceeds of \$22,673,526 (after issuance costs of \$175,474) were used to defease and redeem a portion of the District's outstanding 2016 General Obligation Refunding Bonds, Series A. The amounts defeased have been removed from the government-wide Statement of Net Position. The District completed the refunding to obtain an economic gain of \$499,724. Interest is due semi-annually on February 1 and August 1. Principal payments begin August 1, 2022 and are due annually thereafter until August 1, 2043.

2022 General Obligation Refunding Bonds, High School

In June 2022, the District issued \$23,678,000 of 2022 General Obligation Refunding Bonds. The net proceeds of \$23,502,864 (after issuance costs of \$175,135) were used to defease and redeem a portion of the District's outstanding 2016 General Obligation Refunding Bonds, Series C, and 2018 General Obligation Refunding Bonds, Series D. The amounts defeased have been removed from the government-wide Statement of Net Position. The District completed the refunding to obtain an economic gain of \$413,402. Interest is due semi-annually on February 1 and August 1. Principal payments begin August 1, 2022 and are due annually thereafter until August 1, 2041.

A summary of the District's general obligation bonded debt as of June 30, 2022 is as follows:

Bond	Maturity Date	Interest Rate	Original Issue	Bonds			Redeemed	Defeased	Bonds	
				Outstanding July 01, 2021	Adjustments	Issued			Outstanding June 30, 2022	
2011 GORB	2026	2-4.125	\$ 4,950,000	\$ 415,000	\$ (75,000)	\$ -	\$ 340,000	\$ -	\$ -	
2013 GORB	2030	2-4	9,815,000	6,230,000	(5,005,000)	-	600,000	-	625,000	
2013 GORB	2030	2-5	51,510,000	-	4,390,000	-	2,145,000	-	2,245,000	
2015 GORB	2022	2-5	5,415,000	655,000	-	-	655,000	-	-	
2016 GOB, Series A	2035	2-5	5,700,000	3,490,000	-	-	180,000	-	3,310,000	
2016 GOB, Series B	2041	2-5	50,000,000	34,605,000	-	-	385,000	21,495,000	12,725,000	
2016 GOB, Series C	2041	2-5	15,000,000	11,900,000	-	-	100,000	10,860,000	940,000	
2017 GORB	2028	2-5	21,090,000	20,540,000	-	-	1,330,000	-	19,210,000	
2018 GOB, Series D	2043	5	10,000,000	10,000,000	-	-	-	9,840,000	160,000	
2018 GOB, Series E	2021	3-4	3,000,000	765,000	-	-	765,000	-	-	
2018 GOB, Series C	2043	4-5	65,000,000	59,950,000	-	-	850,000	-	59,100,000	
2021 GOB, Series E	2044	.22-4	42,835,000	42,835,000	-	-	6,175,000	-	36,660,000	
2021 GORB	2044	.247-2.102	5,080,000	5,080,000	-	-	95,000	-	4,985,000	
2021 GOB, Series F	2044	.25-4	16,500,000	16,500,000	-	-	2,305,000	-	14,195,000	
2021 GORB Series A	2027	4	1,830,000	1,830,000	-	-	-	-	1,830,000	
2021 GORB Series B	2031	.297-2.182	5,325,000	5,325,000	-	-	70,000	-	5,255,000	
2022 GORB Elementary	2043	3.82	22,849,000	-	-	22,849,000	-	-	22,849,000	
2022 GORB High School	2042	3.88	23,678,000	-	-	23,678,000	-	-	23,678,000	
Subtotal General Obligation Bonds			359,577,000	220,120,000	(690,000)	46,527,000	15,995,000	42,195,000	207,767,000	
Bond Premiums				26,802,800	-	-	1,990,650	4,894,516	19,917,634	
Total General Obligation Bonds			\$359,577,000	\$246,922,800	\$ (690,000)	\$ 46,527,000	\$ 17,985,650	\$ 47,089,516	\$ 227,684,634	

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The annual debt service requirements of the bonds as of June 30, 2022 are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 7,159,000	\$ 10,448,129	\$ 17,607,129
2024	7,003,000	10,483,121	17,486,121
2025	7,515,000	10,240,106	17,755,106
2026	8,082,000	9,951,225	18,033,225
2027	8,704,000	9,376,709	18,080,709
2028-2032	34,298,000	36,013,900	70,311,900
2033-2037	41,759,000	25,515,198	67,274,198
2038-2042	62,133,000	13,339,887	75,472,887
2043-2047	31,114,000	1,396,343	32,510,343
Total Debt Service GOB's	<u>\$ 207,767,000</u>	<u>\$ 126,764,618</u>	<u>\$ 334,531,618</u>

Certificates of Participation (COP's)

On November 19, 2015, the Public Property Financing Corporation of California issued certificates of participation in the aggregate amount of \$8,195,444. The certificates were issued as \$6,865,000 of current interest certificates and \$1,330,444 of capital appreciation certificates. The proceeds from the sale of the certificates were used to refund the June 12, 2008 certificates of participation which was issued to finance the 2008 Capital Project, that consisted of the acquisition, construction, installation, and equipping of improvements to various facilities within the Santa Rosa City High School District. As a result of the refunding, the District recognized a deferred loss on early retirement of long-term debt of \$552,542 which will be amortized over the life of the debt in the government-wide financial statements.

The annual debt service requirements of the COP's as of June 30, 2022 are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2023	\$ 125,250	\$ 241,344	\$ 34,749	\$ 401,343
2024	145,404	241,344	49,596	436,344
2025	225,000	238,531	-	463,531
2026	181,200	235,719	88,800	505,719
2027	192,650	235,719	112,350	540,719
2028-2032	1,673,868	1,145,264	516,133	3,335,265
2033-2037	4,145,000	666,188	-	4,811,188
2038-2042	1,130,000	22,600	-	1,152,600
Total Debt Service COP's	<u>\$ 7,818,372</u>	<u>\$ 3,026,709</u>	<u>\$ 801,628</u>	<u>\$ 11,646,709</u>

School Facilities Loans

In 2016, the Charter School Facilities Program (CSFP), which is jointly administered by the California School Finance Authority (CSFA) and the Office of Public School Construction (OPSC), issued the District two loans totaling \$5,035,367 for facilities construction projects at the Santa Rosa Charter for the Arts campus. CSFP provides low-cost financing for charter school facilities through 50% grant and 50% loan agreements. The first loan of \$2,954,076 was for new construction and the second loan of \$2,081,291 was for rehabilitation of existing District facilities. Both loans have payments from September 1, 2018 through August 1, 2047 and carry a 2.000% annual interest rate.

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The annual debt service requirements of the CSFP loans as of June 30, 2022 are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 139,535	\$ 89,084	\$ 228,619
2024	142,350	86,269	228,619
2025	145,221	83,397	228,618
2026	148,151	80,468	228,619
2027	151,139	77,479	228,618
2028-2032	802,680	340,412	1,143,092
2033-2037	886,976	256,116	1,143,092
2038-2042	980,124	162,968	1,143,092
2043-2047	1,083,054	60,038	1,143,092
2048-2052	25,273	123	25,396
Total Debt Service CSFP Loans	\$ 4,504,503	\$ 1,236,354	\$ 5,740,857

Pacific Gas and Electric Company (PG&E) Loan

The District received zero interest loans from PG&E totaling \$4,830,293 that mature in December 2031y. Principal payments of \$40,252 are due monthly. The District decreased beginning net position by \$4,181,782 to reclassify deferrals from prior years as long-term debt. The remaining \$648,511 was reported as other financing sources in the funds which was converted to long-term debt in the government wide financial statements. The loans were made through PG&E's On-Bill Financing Program (the "Program") which is funded by California Utility customers and administered by PG&E under the auspices of the California Public Utilities Commission (CPUC). The Program provides qualified PG&E customers with a means to finance energy-efficient (EE) retrofit projects implemented under select PG&E EE Programs (the "Qualified Program"). The loans issued under the Program are interest-free, unsecured loans to reimburse the District for the costs it incurred in connection with qualified energy efficient retrofit projects. The annual debt service requirements of the PG&E loans as of June 30, 2022 are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 483,029	-	\$ 483,029
2024	483,029	-	483,029
2025	483,029	-	483,029
2026	483,029	-	483,029
2027	483,029	-	483,029
2028-2031	1,850,249	-	1,850,249
Total Debt Service	\$ 4,265,394	\$ -	\$ 4,265,394

Portable Leases

As a normal course of business, the District leases various portable buildings under one-year terms, but with extension options that do not expire and are reasonably likely to be exercised. Under GASB 87, the District records these leases as long-term liabilities and right of use assets in its Statement of Net Position at the net present value of the future lease payments, using the District's incremental borrowing rate of 3.82%. The average annual lease payment over the next 22 years is approximately \$275,181.

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The following summarizes the future minimum lease obligations as of June 30, 2022:

Year Ending June 30	Principal	Interest	Total
2023	\$ 262,141	\$ 153,719	\$ 415,860
2024	228,111	144,297	372,408
2025	236,979	135,429	372,408
2026	246,192	126,216	372,408
2027	255,763	116,645	372,408
2028-2032	1,007,949	458,559	1,466,508
2033-2037	1,025,194	270,926	1,296,120
2038-2042	762,021	86,475	848,496
2043-2047	119,023	2,477	121,500
Total	<u>\$ 4,143,374</u>	<u>\$ 1,494,742</u>	<u>\$ 5,638,116</u>

NOTE 7 – JOINT POWERS AGREEMENTS

The Santa Rosa City Schools participates in joint ventures under joint powers agreements with the Redwood Empire Schools' Insurance Group (RESIG), a Joint Powers Authority (JPA), for benefits. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes. The JPAs provide property and liability insurance coverage as well as health and welfare benefits coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs. Condensed audited financial information is available by contacting the JPA directly.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Award, and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Litigation

The District may be exposed to certain legal matters that arise from the normal course of business. The District has not accrued a liability for any potential litigation as of June 30, 2022.

**SANTA ROSA CITY SCHOOLS
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NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

California Public Employees Retirement System (CalPERS/PERS) Pension Plan

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7%	7%
Required employer contribution rates	22.91%	22.91%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

Contributions - Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2022, the District’s contributions were as follows:

	CalPERS
Contributions - employer	\$ 6,547,949

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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	<u>\$ 39,844,506</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	CalPERS
Proportion - June 30, 2021	<u>0.16632%</u>
Proportion - June 30, 2022	<u>0.19595%</u>
Change - Increase/(Decrease)	<u>0.02963%</u>

For the year ended June 30, 2022, the District recognized pension expense of \$5,564,634 for the Plan.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences between Expected and Actual Experience	1,189,461	93,930
Differences between Projected and Actual Investment Earnings	-	15,291,135
Differences between Employer's Contributions and Proportionate Share of Contributions	-	1,504,125
Change in Employer's Proportion	7,849,681	499,534
Pension Contributions Made Subsequent to Measurement Date	6,547,949	-
Total	<u>\$ 15,587,091</u>	<u>\$ 17,388,724</u>

The District reported \$6,547,949 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (1,222,237)
2024	(1,096,635)
2025	(1,777,949)
2026	(4,252,762)
2027	-
Thereafter	-
Total	\$ (8,349,583)

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2019 based on June 30, 2018 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net

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pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.
- (d) Figures are based on the previous ALM of 2017.

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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS
1% Decrease	6.15%
Net Pension Liability	\$ 67,183,432
Current	7.15%
Net Pension Liability	\$ 39,844,506
1% Increase	8.15%
Net Pension Liability	\$ 17,147,331

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.920%	16.920%
Required State contribution rates	10.828%	10.828%

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Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2022 the District's contributions were as follows:

	CalSTRS
Employer Contributions	\$ 15,975,434
State Contributions	9,941,950
Total	\$ 25,917,384

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	\$ 70,349,991
State	35,397,302
Total	\$ 105,747,293

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 11.97 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	CalSTRS
Proportion - June 30, 2021	0.14900%
Proportion - June 30, 2022	0.15459%
Change - Increase/(Decrease)	0.00559%

For the year ended June 30, 2022, the District recognized pension expense of \$13,982,696 which included a state on-behalf contribution of \$9,941,950.

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At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 9,967,846	\$ -
Differences between Expected and Actual Experience	176,231	7,486,706
Differences between Projected and Actual Investment Earnings	-	55,648,655
Differences between Employer's Contributions and Proportionate Share of Contributions	90,003	3,567,846
Change in Employer's Proportion	6,621,314	2,567,989
Pension Contributions Made Subsequent to Measurement Date	15,975,434	-
Total	\$ 32,830,828	\$ 69,271,196

The District reported \$15,975,434 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (11,615,800)
2024	(10,139,483)
2025	(14,542,056)
2026	(16,072,050)
2027	113,807
Thereafter	(160,220)
Total	\$ (52,415,802)

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

- (1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB
(2) Net of investment expense but gross of administrative expenses.
(3) Based on 110% of the MP-2019 Ultimate Projection

Discount Rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return (a) (b)</u>
Global Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigation Strategies	10.00%	1.75%
Liquidity	2.00%	-0.35%
Total	<u>100.00%</u>	

- (a) Real return is net of assumed 2.75% inflation.
(b) 20-year geometric average.

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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS
1% Decrease	6.10%
Net Pension Liability	\$ 143,208,948
Current	7.10%
Net Pension Liability	\$ 70,349,991
1% Increase	8.10%
Net Pension Liability	\$ 9,881,277

Pension Plan Fiduciary Net Position - Detailed information about each pension plan’s fiduciary net position is available in the separately issued STRS financial reports.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The District’s administers a single-employer defined benefit postemployment healthcare plan (the OPEB plan). Dependents are eligible to enroll, and benefits continue to surviving spouses.

Benefits Provided - The following is a summary of the plan benefits provided:

Benefits Provided:	Medical, dental and vision
Required Services:	
CalPERS	Hired <1/1/2013: Age 50 & 5 years of service Hired >1/1/2013: Age 52 & 5 years of service
CalSTRS	Hired <1/1/2013: Normal - Age 60 & 5 years of service Early - Age 55 & 5 years of service or age 50 & 30 years of service Hired >1/1/2013: Normal - Age 62 & 5 years of service Early - Age 55 & 5 years of service
Dependent Coverage:	Yes
Contribution Percentage:	Varies
Cap:	\$ 1,265 per month

The District has not included shared benefit costs in its projections of benefit payments and has not shared benefit costs with inactive employees historically.

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Employees Covered by Benefit Terms - At June 30, 2021 (the valuation date), the benefit terms covered the following employees:

Active employees	849
Inactive employees	92
Total employees	941

Contributions - The District makes contributions based on an actuarially determined rate and are approved by the authority of the District’s Board. Total contributions during the year were \$1,845,404. Total contributions included in the measurement period were \$1,475,330. The District’s contributions were 1.25% of covered employee payroll during the measurement period June 30, 2021 (reporting period June 30, 2022). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in the fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	8.53 years
Actuarial Assumptions:	
Discount Rate	1.92%
Inflation	2.25%
Salary Increases	3.50%
Healthcare Trend Rate	6.70%
Mortality	Teachers: January 2020 CalSTRS experience study. Nonteachers: CalPERS Experience Study for Miscellaneous December 2017
Retirement	Teachers: 2.0% @ 60 Teachers: 2.0% @ 62 Nonteachers: Misc 2.5% @ 55 Nonteachers: Misc 2% @ 62

Note:

The discount rate was decreased from 2.45% to 1.92% during the year.

Discount Rate - The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2022:

Fiscal Year Ended June 30, 2022	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 24,752,522	\$ -	\$ 24,752,522
Service cost	2,282,016	-	2,282,016
Interest in Total OPEB Liability	644,273	-	644,273
Balance of diff between actual and exp experience	3,913,389	-	3,913,389
Changes in benefit terms	4,193,464	-	4,193,464
Balance of changes in assumptions	372,722	-	372,722
Benefit payments	(1,475,330)	-	(1,475,330)
Net changes	9,930,534	-	9,930,534
Balance at June 30, 2022	\$ 34,683,056	\$ -	\$ 34,683,056

Covered Employee Payroll	\$ 118,092,669
Total OPEB Liability as a % of Covered Employee Payroll	29.37%
Service Cost as a % of Covered Employee Payroll	1.93%
Net OPEB Liability as a % of Covered Employee Payroll	29.37%

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources - At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 3,653,034	\$ -
Change in assumptions	1,077,066	3,781,562
OPEB contribution subsequent to measurement date	1,845,404	-
Totals	\$ 6,575,504	\$ 3,781,562

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,845,404 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2023.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ (104,314)
2024	(104,314)
2025	(104,314)
2026	24,454
2027	155,599
Thereafter	<u>1,081,427</u>
Total	<u>\$ 948,538</u>

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	\$ 2,282,016
Interest in TOL	644,273
Adjustments	216,832
Current benefit terms changes	4,193,464
Difference between actual and expected experience	492,411
Change in assumptions	<u>(596,724)</u>
OPEB Expense	<u>\$ 7,232,272</u>

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022, for the measurement date of June 30, 2019:

Total OPEB liability ending	\$ 34,683,056
Total OPEB liability beginning	<u>(24,752,522)</u>
Change in total OPEB liability	9,930,534
Changes in deferred outflows	(4,651,286)
Changes in deferred inflows	107,620
Employer contributions and implicit subsidy	<u>1,845,404</u>
OPEB Expense	<u>\$ 7,232,272</u>

Sensitivity to Changes in the Municipal Bond Rate - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a municipal bond rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	1.92%	(1% Increase)
Total OPEB Liability	\$ 37,337,987	\$ 34,683,056	\$ 32,268,341

**SANTA ROSA CITY SCHOOLS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Sensitivity to Changes in the Healthcare Cost Trend Rates - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows.

	Trend Rate		
	(1% Decrease)	6.70%	(1% Increase)
Total OPEB Liability	\$ 31,197,989	\$ 34,683,056	\$ 38,804,514

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

SANTA ROSA CITY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF sources	\$ 149,220,648	\$ 146,627,596	\$ 146,221,115	\$ (406,481)
Federal revenues	10,496,015	19,934,290	20,033,624	99,334
Other state	14,558,197	25,028,046	27,103,268	2,075,222
Other local	11,695,517	14,827,697	18,024,446	3,196,749
Total revenues	<u>185,970,377</u>	<u>206,417,629</u>	<u>211,382,453</u>	<u>4,964,824</u>
Expenditures:				
Certificated salaries	85,199,934	87,099,040	87,904,683	(805,643)
Classified salaries	26,678,005	25,230,820	25,788,437	(557,617)
Employee benefits	47,106,839	45,006,132	47,175,251	(2,169,119)
Books and supplies	2,912,783	10,008,212	9,958,852	49,360
Services and other operating expenditures	35,673,779	41,172,839	41,676,627	(503,788)
Capital outlay	146,435	1,844,169	1,421,317	422,852
Other outgo	77,921	77,921	605,506	(527,585)
Total expenditures	<u>197,795,696</u>	<u>210,439,133</u>	<u>214,530,673</u>	<u>(4,091,540)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,825,319)</u>	<u>(4,021,504)</u>	<u>(3,148,220)</u>	<u>873,284</u>
Other financing sources (uses):				
Transfers in	1,779,415	1,374,569	1,719,258	344,689
Transfers out	-	-	(664,609)	(664,609)
Total other financing sources (uses)	<u>1,779,415</u>	<u>1,374,569</u>	<u>1,054,649</u>	<u>(319,920)</u>
Change in fund balance	<u>\$ (10,045,904)</u>	<u>\$ (2,646,935)</u>	(2,093,571)	<u>\$ 553,364</u>
Prior period adjustment			(4,013)	
Fund balances beginning			<u>35,438,945</u>	
Fund balances ending			<u>\$ 33,341,361</u>	

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. Expenditures exceeded budget due to changes in OPEB plan benefit terms and ASB account activity that was not included in the final budget, which were offset by revenues that were also not included in the budget.

SANTA ROSA CITY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
CHARTER SCHOOL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF sources	\$ 17,503,942	\$ 16,381,999	\$ 17,646,025	\$ 1,264,026
Federal revenues	142,130	637,065	181,206	(455,859)
Other state	489,667	1,428,936	2,207,765	778,829
Other local	431,500	217,567	(143,208)	(360,775)
Total revenues	<u>18,567,239</u>	<u>18,665,567</u>	<u>19,891,788</u>	<u>1,226,221</u>
Expenditures:				
Certificated salaries	8,950,528	9,877,248	9,904,171	(26,923)
Classified salaries	1,751,901	2,101,205	2,025,929	75,276
Employee benefits	3,850,619	3,962,942	4,674,850	(711,908)
Books and supplies	405,962	1,112,705	541,726	570,979
Services and other operating expenditures	2,324,138	1,892,779	2,700,660	(807,881)
Total expenditures	<u>17,283,148</u>	<u>18,946,879</u>	<u>19,847,336</u>	<u>(900,457)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,284,091</u>	<u>(281,312)</u>	<u>44,452</u>	<u>325,764</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(979,414)	(274,569)	-	274,569
Total other financing sources (uses)	<u>(979,414)</u>	<u>(274,569)</u>	<u>-</u>	<u>274,569</u>
Change in fund balance	<u>\$ 304,677</u>	<u>\$ (555,881)</u>	44,452	<u>\$ 600,333</u>
Fund balances beginning			<u>1,050,048</u>	
Fund balances ending			<u>\$ 1,094,500</u>	

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the Charter School Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. Employee benefits exceeded budget as noted above because of changes in benefit terms within the OPEB plans. Revenues were sufficient to cover the amounts over budget.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022
CalPERS								
Contractually Required Contributions	\$ 1,957,100	\$ 2,193,239	\$ 2,926,108	\$ 3,344,202	\$ 3,865,049	\$ 4,711,818	\$ 4,899,392	\$ 6,547,949
Contributions in Relation to Contractually Required Contributions	1,957,100	2,193,239	2,926,108	3,344,202	3,865,049	4,711,818	4,899,392	6,547,949
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 16,626,455	\$ 18,513,033	\$ 21,069,326	\$ 21,532,432	\$ 21,398,788	\$ 23,892,389	\$ 23,666,629	\$ 28,581,183
Contrib. as a % of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

Notes to Schedule:

Valuation Date: June 30, 2020
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.50%
Investment Rate of Returns set at 7.00%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022
STRS								
Contractually Required Contributions	\$ 6,233,054	\$ 8,502,761	\$ 10,046,129	\$ 11,276,388	\$ 12,897,120	\$ 14,064,362	\$ 13,872,063	\$ 15,975,434
Contributions in Relation to Contractually Required Contributions	6,233,054	8,502,761	10,046,129	11,276,388	12,897,120	14,064,362	13,872,063	15,975,434
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 70,192,050	\$ 79,242,880	\$ 79,857,941	\$ 78,145,447	\$ 79,220,639	\$ 77,575,080	\$ 86,233,295	\$ 94,417,459
Contrib. as a % of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	16.09%	16.92%

Notes to Schedule:

Valuation Date: June 30, 2020
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

The CalPERS amortization period for actuarial gains and losses was shortened from 30 years to 20 years in 2019.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.

The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.

The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.

The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

This schedule provides information about the District's required and actual contributions to CalPERS / CalSTRS during the year.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF PROPORTION SHARE OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Measurement Date Fiscal Year	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022
CalPERS								
District's Proportion of Net Pension Liability	0.16320%	0.16437%	0.16557%	0.16521%	0.16319%	0.15474%	0.16632%	0.19595%
District's Proportionate Share of Net Pension Liability	\$ 18,527,174	\$ 24,228,612	\$ 32,700,460	\$ 39,439,987	\$ 43,511,592	\$ 45,097,814	\$ 51,030,865	\$ 39,844,506
District's Covered Payroll	\$ 17,134,653	\$ 16,626,455	\$ 18,513,033	\$ 21,069,326	\$ 21,532,432	\$ 21,398,788	\$ 23,892,389	\$ 23,668,560
District's Proportionate Share of NPL % of Covered Employee Payroll	108.13%	145.72%	176.63%	187.19%	202.07%	210.75%	213.59%	168.34%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%	80.97%

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

Measurement Date Fiscal Year	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022
STRS								
District's Proportion of Net Pension Liability	0.16100%	0.15876%	0.15796%	0.15000%	0.14500%	0.14500%	0.14900%	0.15459%
District's Proportionate Share of Net Pension Liability	\$ 94,083,570	\$ 106,880,850	\$ 127,758,630	\$ 138,718,500	\$ 133,265,150	\$ 130,958,200	\$ 144,394,410	\$ 70,349,991
State's Proportionate Share of Net Pension Liability Associated with the District	56,811,423	56,528,213	72,730,433	82,064,477	76,300,962	71,446,865	74,435,318	35,397,302
Total	<u>\$ 150,894,993</u>	<u>\$ 163,409,063</u>	<u>\$ 200,489,063</u>	<u>\$ 220,782,977</u>	<u>\$ 209,566,112</u>	<u>\$ 202,405,065</u>	<u>\$ 218,829,728</u>	<u>\$ 105,747,293</u>
District's Covered Payroll	\$ 71,527,539	\$ 70,192,050	\$ 79,242,880	\$ 79,857,941	\$ 78,145,447	\$ 79,220,639	\$ 82,247,731	\$ 85,895,127
District's Proportionate Share of NPL as a % of Covered Payroll	131.53%	152.27%	161.22%	173.71%	170.53%	165.31%	175.56%	81.90%
Plan's Fiduciary Net Position as a % of the TPL	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
This schedule presents information on the District's portion of the net pension liability of PERS and STRS in compliance with GASB 68.

SANTA ROSA CITY SCHOOLS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Fiscal Year Ended	2019	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 1,909,893	\$ 1,760,939	\$ 1,787,851	\$ 1,947,218	\$ 2,282,016
Interest	770,739	934,573	955,030	745,287	644,273
Changes of benefit terms	-	-	-	-	4,193,464
Diff. between expected and actual exp	-	-	299,318	-	3,913,389
Changes of assumptions	(1,188,185)	(1,048,073)	(4,213,526)	964,861	372,722
Benefit payments	(1,465,101)	(1,508,107)	(1,580,608)	(1,537,406)	(1,475,330)
Net change in Total OPEB Liability	27,346	139,332	(2,751,935)	2,119,960	9,930,534
Total OPEB Liability - beginning	25,217,819	25,245,165	25,384,497	22,632,562	24,752,522
Total OPEB Liability - ending	<u>\$ 25,245,165</u>	<u>\$ 25,384,497</u>	<u>\$ 22,632,562</u>	<u>\$ 24,752,522</u>	<u>\$ 34,683,056</u>
Plan fiduciary net position					
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset)	25,245,165	25,384,497	22,632,562	24,752,522	34,683,056
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 99,129,925	\$ 100,182,511	\$ 102,937,530	\$ 107,070,763	\$ 115,494,053
Total OPEB liability as a % of cov. Emp. payroll	25.47%	25.34%	21.99%	23.12%	30.03%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Discount rate decreased from 3.62% to 3.13%, salary increases increased from 2.75% to 3.50%, and healthcare trend rate decreased from 6.80% to 6.40% from June 30, 2019 to June 30, 2020.

Discount rate decreased from 3.13% to 2.45% from June 30, 2020 to June 30 2021 and decreased to 1.92% in June 30, 2022.

**SUPPLEMENTARY
INFORMATION**

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*Nonmajor Governmental Funds
Combining Schedules*

**SANTA ROSA CITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	
Assets						
Cash and investments	\$ 46,069	\$ 868,565	\$ 717,358	\$ 6,277,081	\$ 6,315,007	\$ 14,224,080
Accounts receivable	323,202	2,214,076	-	102,705	1,217,305	3,857,288
Due from other funds	45,351	41,845	-	-	2,324,808	2,412,004
Stores inventories and other	-	200,533	-	-	-	200,533
Total Assets	\$ 414,622	\$ 3,325,019	\$ 717,358	\$ 6,379,786	\$ 9,857,120	\$ 20,693,905
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 76,537	\$ 113,686	\$ -	\$ 972	\$ 118,930	\$ 310,125
Due to other funds	149,692	192,007	-	-	833,355	1,175,054
Unearned revenue	182,588	-	-	-	913,203	1,095,791
Total Liabilities	408,817	305,693	-	972	1,865,488	2,580,970
Fund balances:						
Nonspendable:						
Revolving fund	-	200	-	-	-	200
Inventory	-	200,533	-	-	-	200,533
Restricted for:						
Cafeteria programs	-	2,818,593	-	-	-	2,818,593
Capital projects	-	-	-	6,378,814	6,071,868	12,450,682
Assigned for:						
Capital projects	-	-	-	-	1,919,764	1,919,764
Child care program	5,805	-	-	-	-	5,805
Deferred maintenance	-	-	717,358	-	-	717,358
Total Fund Balances	5,805	3,019,326	717,358	6,378,814	7,991,632	18,112,935
Total Liabilities and Fund Balances	\$ 414,622	\$ 3,325,019	\$ 717,358	\$ 6,379,786	\$ 9,857,120	\$ 20,693,905

**SANTA ROSA CITY SCHOOLS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	
Revenues:						
Federal revenue	\$ 25,200	\$ 8,202,807	\$ -	\$ -	\$ -	\$ 8,228,007
Other state	721,249	612,413	-	-	505	1,334,167
Other local	(1,605)	1,214,834	(21,271)	2,286,519	1,285,390	4,763,867
Total revenues	744,844	10,030,054	(21,271)	2,286,519	1,285,895	14,326,041
Expenditures:						
Current						
Instruction	791,800	-	-	-	-	791,800
Pupil services:						
Food services	-	7,422,007	-	-	-	7,422,007
General administration:						
All other general administration	-	192,007	-	30,972	-	222,979
Plant services	-	99,609	-	579,867	86,778	766,254
Facilities acquisition and construction	-	-	-	-	2,326,077	2,326,077
Payments to other agencies	-	-	-	441,488	-	441,488
Debt service:						
Principal	-	-	-	-	125,000	125,000
Interest and Fees	-	-	-	-	246,994	246,994
Total expenditures	791,800	7,713,623	-	1,052,327	2,784,849	12,342,599
Excess (deficiency) of revenues over (under) expenditures	(46,956)	2,316,431	(21,271)	1,234,192	(1,498,954)	1,983,442
Other financing sources (uses):						
Transfers in	45,351	-	-	-	-	45,351
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	45,351	-	-	-	-	45,351
Change in fund balances	(1,605)	2,316,431	(21,271)	1,234,192	(1,498,954)	2,028,793
Fund balances beginning	7,410	702,895	738,629	5,144,622	9,490,586	16,084,142
Fund balances ending	\$ 5,805	\$ 3,019,326	\$ 717,358	\$ 6,378,814	\$ 7,991,632	\$ 18,112,935

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**STATE AND FEDERAL
AWARD COMPLIANCE
SECTION**

**SANTA ROSA CITY SCHOOLS
ORGANIZATION (UNAUDITED)
JUNE 30, 2022**

Santa Rosa City Elementary School District and Santa Rosa City High School District were established in 1878. They are now comprised of two districts, elementary and high school, governed by a common seven-member Board of Education. Santa Rosa City Schools currently operates nine elementary schools, one satellite elementary, five middle schools, five comprehensive high schools, one opportunity schools, one continuation school, four necessary small continuation schools, and five charter schools. Santa Rosa City Schools covers an area of approximately 280 square miles. There were no changes in the District's boundaries in the current year.

The Board of Education and District Administrators for the fiscal year ended June 30, 2022, included the following members:

Governing Board

Member	Office	Term Expires
Ed Sheffield	President	2024
Jill McCormick	Vice-President	2022
Stephanie Manieri	Clerk	2022
Alegria De La Cruz	Trustee	2024
Ever Flores	Trustee	2024
Laurie Fong	Trustee	2024
Omar Medina	Trustee	2022

District Administrators

Name	Position
Anna Trunnell	Superintendent
Rick Edson	Deputy Superintendent, Chief Business Official
Michael Shepherd	Assistant Superintendent, Human Resources
Dr. Kimberlee Armstrong	Assistant Superintendent, Educational Services
Joel Dontos	Executive Director, Fiscal Services

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Santa Rosa Elementary				
Regular ADA:				
Grades TK/K through three	1,562.99	1,581.88	1,562.99	1,581.88
Grades four through six	1,193.01	1,198.33	1,193.01	1,198.33
Regular ADA Totals	2,756.00	2,780.21	2,756.00	2,780.21
Extended year special education:				
Grades TK/K through three	5.37	5.37	5.37	5.37
Grades four through six	3.12	3.12	3.12	3.12
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	4.02	4.52	4.02	4.52
Grades four through six	7.55	7.49	7.55	7.49
Extended year special education - nonpublic, nonsect schools:				
Grades TK/K through three	0.35	0.35	0.35	0.35
Grades four through six	0.70	0.70	0.70	0.70
ADA Totals	2,777.11	2,801.76	2,777.11	2,801.76
	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Santa Rosa High				
Regular ADA:				
Grades seven and eight	2,181.98	2,179.22	2,181.98	2,179.22
Grades nine through twelve	6,786.13	6,736.09	6,786.13	6,736.09
Regular ADA Totals	8,968.11	8,915.31	8,968.11	8,915.31
Extended year Special education				
Grades seven and eight	3.17	3.17	3.17	3.17
Grades nine through twelve	4.69	4.69	4.69	4.69
Special education - nonpublic, nonsect schools:				
Grades seven and eight	21.16	21.47	21.16	21.47
Grades nine through twelve	71.82	71.63	71.82	71.63
Extended year special education - nonpublic, nonsect schools:				
Grades seven and eight	1.31	1.31	1.31	1.31
Grades nine through twelve	6.96	6.96	6.96	6.96
ADA Totals	9,077.22	9,024.54	9,077.22	9,024.54

Continued

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Santa Rosa Charter School for the Arts				
Regular ADA:				
Grades TK/K through three	156.71	156.41	155.63	155.32
Grades four through six	123.53	122.89	123.33	122.38
Grades seven and eight	80.24	79.87	80.14	79.41
ADA Totals	<u>360.48</u>	<u>359.17</u>	<u>359.10</u>	<u>357.11</u>
Santa Rosa French American Charter				
Regular ADA:				
Grades TK/K through three	246.20	245.68	246.20	245.68
Grades four through six	124.73	125.04	122.92	123.38
ADA Totals	<u>370.93</u>	<u>370.72</u>	<u>369.12</u>	<u>369.06</u>
Cesar Chavez Language Academy				
Regular ADA:				
Grades TK/K through three	270.02	270.12	270.02	269.87
Grades four through six	164.72	165.35	164.72	165.35
Grades seven and eight	406.28	405.69	403.63	402.74
ADA Totals	<u>841.02</u>	<u>841.16</u>	<u>838.37</u>	<u>837.96</u>
Santa Rosa Accelerated Charter				
Regular ADA:				
Grades four through six	121.17	120.54	121.04	120.21
ADA Totals	<u>121.17</u>	<u>120.54</u>	<u>121.04</u>	<u>120.21</u>

Concluded

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirements	2022 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Santa Rosa Elementary					
Kindergarten	36,000	44,400	180	0	In compliance
Grade 1	50,400	54,054	180	0	In compliance
Grade 2	50,400	54,054	180	0	In compliance
Grade 3	50,400	54,054	180	0	In compliance
Grade 4	54,000	54,054	180	0	In compliance
Grade 5	54,000	54,054	180	0	In compliance
Grade 6	54,000	54,054	180	0	In compliance
Santa Rosa High					
Grade 7	54,000	54,240	180	0	In compliance
Grade 8	54,000	54,240	180	0	In compliance
Grade 9	64,800	64,857	180	0	In compliance
Grade 10	64,800	64,857	180	0	In compliance
Grade 11	64,800	64,857	180	0	In compliance
Grade 12	64,800	64,857	180	0	In compliance
Santa Rosa Charter for the Arts					
Kindergarten	36,000	44,210	180	0	In compliance
Grade 1	50,400	52,990	180	0	In compliance
Grade 2	50,400	52,990	180	0	In compliance
Grade 3	50,400	52,990	180	0	In compliance
Grade 4	54,000	54,340	180	0	In compliance
Grade 5	54,000	54,340	180	0	In compliance
Grade 6	54,000	58,550	180	0	In compliance
Grade 7	54,000	58,550	180	0	In compliance
Grade 8	54,000	58,550	180	0	In compliance
Santa Rosa Accelerated Charter					
Grade 5	54,000	54,200	180	0	In compliance
Grade 6	54,000	54,200	180	0	In compliance
Cesar Chavez Language Academy					
Kindergarten	36,000	45,860	180	0	In compliance
Grade 1	50,400	56,768	180	0	In compliance
Grade 2	50,400	56,768	180	0	In compliance
Grade 3	50,400	56,768	180	0	In compliance
Grade 4	54,000	56,768	180	0	In compliance
Grade 5	54,000	56,768	180	0	In compliance
Grade 6	54,000	56,768	180	0	In compliance
Santa Rosa French-American Charter School					
Kindergarten	36,000	51,424	180	0	In compliance
Grade 1	50,400	54,364	180	0	In compliance
Grade 2	50,400	54,364	180	0	In compliance
Grade 3	50,400	54,364	180	0	In compliance
Grade 4	54,000	54,364	180	0	In compliance
Grade 5	54,000	54,364	180	0	In compliance
Grade 6	54,000	54,364	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

SANTA ROSA CITY SCHOOLS
SCHEDULE OF CHARTER SCHOOLS (UNAUDITED)
JUNE 30, 2022

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school whether or not the charter school is included in the District audit.

<u>Charter School</u>	<u>Charter School Number</u>	<u>Included in Financial Statements</u>
Cesar Chavez Language Academy	1523	Included
Santa Rosa French American Charter	1397	Included
Santa Rosa Charter School for the Arts	845	Included
Santa Rosa Accelerated Charter	522	Included
Kid Street Learning Center Charter	215	Not Included

SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	(Budget ¹) 2023	2022	2021	2020
<u>General Fund</u>				
Revenues and other financial sources	\$ 223,015,754	\$ 213,101,711	\$ 210,109,391	\$ 183,228,496
Expenditures	215,444,784	214,530,673	199,685,530	190,409,701
Other uses and transfers (out)	-	664,609	42,694	-
Total outgo	215,444,784	215,195,282	199,728,224	190,409,701
Change in fund balance	7,570,970	(2,093,571)	10,381,167	(7,181,205)
Beginning fund balance restatement: GASB 84 Adjustments	-	(4,013)	868,509	-
Ending fund balance	\$ 40,912,331	\$ 33,341,361	\$ 35,438,945	\$ 24,189,269
Available reserves ⁽²⁾	\$ 20,973,830	\$ 17,111,529	\$ 25,340,516	\$ 19,172,132
Reserve for economic uncertainties	\$ 5,903,032	\$ 5,826,170	\$ 5,415,279	\$ 5,731,754
Unassigned fund balance	\$ 15,070,798	\$ 11,285,359	\$ 19,925,237	\$ 13,440,378
Available reserves as a percentage of total outgo	9.7%	8.0%	10.1%	10.1%
Total long-term liabilities	\$ 387,559,764	\$ 395,728,720	\$ 486,704,814	\$ 410,352,901
Average daily attendance at P-2	14,346	13,548	13,554	13,554

Average daily attendance has decreased by 6 over the last three years. The district anticipates an increase of 798 in ADA in 2022.

The general fund balance has increased by \$9,152,092 in the last three years. For a District this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The district has operated at a deficit in two of the past three years. Total long-term liabilities has decreased by \$14,624,181 over the past three years, due to payments made on the bonds.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2022/23.

² Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Program Name	Federal Catalog Number	Pass Through Number	Major Program	Non-cash Expenditures	Program Expenditures
U. S. DEPARTMENT OF EDUCATION:					
Indian Education (from Federal Government)	84.060	10011		\$ -	\$ 35,552
Passed through California Department of Education:					
Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Voc. Ed.)	84.048	14894		-	166,600
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	Yes	-	3,003,288
ESEA (ESSA) School Improvement (CSI) Funding for LEAs	84.010	15438	Yes	-	1,584,071
<i>Subtotal CFDA 84.010</i>				-	4,587,359
ESEA (ESSA): Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	Yes	-	210,022
ESEA (ESSA) : Title III, English Learner Student Program	84.365	14346		-	364,302
ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		-	44,002
<i>Education Stabilization Fund (ESF)</i>					
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.424C	15517	Yes	-	764
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	Yes	-	35,188
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D	15559	Yes	-	6,144,604
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	Yes	-	998,846
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	Yes	-	410
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	Yes	-	3,740,437
<i>Total Education Stabilization Fund (ESF) Subprograms</i>				-	10,920,249
Passed through Sonoma County SELPA:					
<i>Special Education Cluster</i>					
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379		-	3,526,559
Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430		-	96,871
Special Ed: IDEA Mental Health Average Daily Attendance (ADA) Allocation	84.027A	15197		-	28,694
Special Education: IDEA Preschool Capacity Building, Part B, Sec 619	84.173	13839		-	23,429
<i>Total Special Education Cluster</i>				-	3,675,553
TOTAL U. S. DEPARTMENT OF EDUCATION:				-	20,003,639
U. S. DEPARTMENT OF AGRICULTURE:					
Passed through California Department of Education:					
<i>Child Nutrition Cluster</i>					
Child Nutrition: School Programs (NSL Sec 11)	10.555	13396		-	7,713,622
<i>Total Child Nutrition Cluster</i>				-	7,713,622
TOTAL U.S. DEPARTMENT OF AGRICULTURE				-	7,713,622
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through California Department of Education					
Child Development: ARP California State Preschool Program One-time Stipend	93.575	15640		-	25,200
TOTAL U. S. DEPARTMENT OF TREASURY				-	25,200
TOTAL EXPENDITURES				\$ -	\$ 27,742,461

**SANTA ROSA CITY SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	General Fund	Charter School Fund	County School Facilities Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2022 Annual Financial and Budget Report Fund Balances.	\$ 32,662,920	\$ 1,357,042	\$ -	\$ 53,410,131	\$ 14,612,299	\$ 20,151,676
Adjustments to reconcile audited financials:						
Fair value adjustments	(885,081)	(262,542)	(74,708)	(1,709,860)	(497,878)	(500,490)
Special Res Fund for Other Than Capital Outlay:						
Cash and investments	540,182	-	-	-	-	(540,182)
Student Activity Special Revenue Fund:						
Expense adjustments	25,271	-	-	-	-	-
Cash and investments	998,069	-	-	-	-	(998,069)
June 30, 2022 Audited Financial Statements Fund Balances	<u>\$ 33,341,361</u>	<u>\$ 1,094,500</u>	<u>\$ (74,708)</u>	<u>\$ 51,700,271</u>	<u>\$ 14,114,421</u>	<u>\$ 18,112,935</u>

SANTA ROSA CITY SCHOOLS
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time/days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

B. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

C. 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.

D. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

SANTA ROSA CITY SCHOOLS
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

3. BASIS OF PRESENTATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

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**OTHER INDEPENDENT
AUDITOR'S REPORTS**



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

Board of Trustees
Santa Rosa City Schools
Santa Rosa, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Rosa City Schools (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 12, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

C & A LLP

December 12, 2022
Morgan Hill, California



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Education
Santa Rosa City Schools
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited Santa Rosa City Schools’ (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major federal programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Santa Rosa City Schools and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal programs. Our audit does not provide a legal determination of Santa Rosa City Schools’ compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Rosa City Schools' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Santa Rosa City Schools' compliance with the requirements of each major federal programs.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Santa Rosa City Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Santa Rosa City Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Santa Rosa City Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

December 12, 2022
Morgan Hill, California



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE DIRECT
AND MATERIAL EFFECT ON STATE PROGRAMS**

Board of Education
Santa Rosa City Schools
Santa Rosa, California

Report of State Compliance

We have audited the Santa Rosa City Schools’ (the District) compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District’s state programs identified below for the year ended June 30, 2022.

In our opinion the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2022.

Basis for Opinion on State Compliance Requirements

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Santa Rosa City Schools and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of Santa Rosa City Schools’ compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s state programs.



Auditor’s Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Rosa City Schools’ compliance based on our audit. 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, *Government Auditing Standards*, and the *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Santa Rosa City Schools’ compliance with the requirements of applicable state compliance requirements listed in the *Audit Guide*.

In connection with the compliance audit referred to above, we selected and tested transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other than Districts:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A



Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Job Acts	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunization	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities	Yes
Career Technical Education Incentive Grant	Yes
In Person Instructional Grant	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Districts	No
Determination of Funding for Nonclassroom - Based Instruction	No
Annual Instructional Minutes - Classroom Based	Yes
District Facility Grant Program	Yes

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Santa Rosa City Schools’ compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Santa Rosa City Schools’ internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of Santa Rosa City Schools’ internal control over compliance. Accordingly, no such opinion is expressed.



Chavan and Associates, LLP
Certified Public Accountants

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

C & A LLP

December 12, 2022
Morgan Hill, California

**FINDINGS AND
RECOMMENDATIONS**

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses?	_____ Yes <u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes <u> x </u> None Reported
Non-compliance material to financial statements noted?	_____ Yes <u> x </u> No

Federal Awards

Internal control over major programs:	
Material weaknesses?	_____ Yes <u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes <u> x </u> None Reported

Type of auditor's report issued on compliance over major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ Yes <u> x </u> No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.424S/D/U	Education Stabilization Fund Subprograms
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected
84.010	ESEA (ESSA) School Improvement (CSI) Funding for LEAs

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>832,274</u>
Auditee qualified as low risk auditee?	_____ Yes <u> x </u> No

State Awards

Internal control over state programs:	
Material weaknesses?	_____ Yes <u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes <u> x </u> None Reported

Type of auditor's report issued on compliance over state programs:	<u>Unmodified</u>
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**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

**SANTA ROSA CITY SCHOOLS
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None