

SANTA ROSA CITY SCHOOLS

MEASURE L BONDS

AUDIT REPORT

For the Fiscal Year Ended June 30, 2021

* * *



Chavan & Associates, LLP

Certified Public Accountants
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Morgan Hill, CA 95037

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
For the Fiscal Year Ended June 30, 2021**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Measure L Citizens' Oversight Committee and
Governing Board Members
Santa Rosa City Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure L Bonds of Santa Rosa City Schools (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure L Bonds of Santa Rosa City Schools, as of June 30, 2021, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 1, the financial statements of the Measure L Building Fund are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

As discussed in Note 1, the financial statements present only the Measure L Bonds and do not purport to, and do not, present fairly the financial position of Santa Rosa City Schools, as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure L Bonds of Santa Rosa City Schools' basic financial statements. The Measure L Bonds Schedule of Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject 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 Measure L Bonds Schedule of Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated March 6, 2022 on our consideration of the Measure L Bonds of Santa Rosa City Schools' internal control over financial reporting and 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 the effectiveness of the Measure L Bonds of Santa Rosa City Schools' 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 Measure L Bonds of Santa Rosa City Schools' internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated March 6, 2022 on our consideration of the Measure L Bonds' compliance with the requirements of Proposition 39. That report is an integral part of



Chavan and Associates, llp
Certified Public Accountants

our audit of the Measure L Bonds for the fiscal year ended June 30, 2021 and should be considered in assessing the results of our financial audit.

C & A LLP

March 6, 2022
Morgan Hill, California

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Balance Sheet
June 30, 2021**

| | |
|-------------------------------------|-----------------------------|
| Assets | |
| Cash and investments | <u>\$ 25,550,329</u> |
| Total Assets | <u><u>\$ 25,550,329</u></u> |
| Liabilities and Fund Balance | |
| Liabilities: | |
| Accounts payable | <u>\$ 46,312</u> |
| Total Liabilities | <u>46,312</u> |
| Fund balance: | |
| Restricted for capital projects | <u>25,504,017</u> |
| Total Fund Balance | <u>25,504,017</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 25,550,329</u></u> |

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

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2021**

| | |
|--|----------------------|
| Revenues: | |
| Interest earnings | <u>\$ 80,748</u> |
| Expenditures: | |
| Classified salaries | 11,126 |
| Classified benefits | 3,111 |
| Supplies and materials | 22 |
| Professional services | 320,356 |
| Capital outlay | 1,238,989 |
| Other | <u>292,723</u> |
| Total Expenditures | <u>1,866,327</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,785,579)</u> |
| Other financing sources (uses): | |
| Bond issuances | <u>16,350,000</u> |
| Net Changes in Fund Balance | 14,564,421 |
| Fund Balance Beginning | <u>10,939,596</u> |
| Fund Balance Ending | <u>\$ 25,504,017</u> |

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

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 accounting 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.

A committee to the District’s Governing Board and Superintendent, called the Citizens’ Bond Oversight Committee was established to inform the public concerning the expenditure and uses of the District’s bond measure revenues. The committee’s legal charge is to actively review and report on the expenditure of taxpayer money for school construction in accordance with voter approved projects.

The financial statements presented are for the Measure L Bonds and are not intended to be a complete presentation of the District’s financial position on operations.

C. Basis of Presentation

Fund Financial Statements

Fund financial statements report detailed information about the District. The Measure L Bonds is reported in the District’s Building Fund which is a governmental fund and is presented as a major fund in the District’s combined financial statements. The Building Fund is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds such as Measure L general obligation bonds.

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 Balance for the Measure L Bonds presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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 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 modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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.

Expenditures

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. 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.

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

E. 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 and District superintendent during the year to give consideration to unanticipated income and expenditures. 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.

F. 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.

G. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured up 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.

2. Cash & Cash Equivalents

The District's cash deposits are considered to be cash on hand and cash in banks. Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

3. Investments

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. 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.

4. Long-Term Liabilities

In the Measure L Bonds financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

5. Fund Balance Classifications

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

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance 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 includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District’s board of education.

- Assigned includes fund balance 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 includes positive fund balance that 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.

6. 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.

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2021, is as follows:

| | Carrying Amount | Fair Value |
|---|--------------------|---------------|
| Cash in county treasury investment pool | \$ 25,550,329 | \$ 25,542,664 |

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.

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 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* 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.

Risk Disclosures

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

- *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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the Sonoma County Investment Pool. The pool has a fair value of approximately \$3.124 billion and an amortized book value of \$3.125 billion. Average weighted maturity for this pool is 749 days.

- *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 either not rated or rated as low as AA by Standard & Poor's Investor Services.

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

- *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.

- *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 - MEASURE L GENERAL OBLIGATION BONDS

The following schedule summarizes the District's Measure L general obligation bonds as of June 30, 2021:

| Bond | Maturity Date | Interest Rate | Original Issue | Bonds | | Adjustments & Redeemed | Bonds |
|-----------------------------------|---------------|---------------|----------------------|---------------------------|----------------------|------------------------|---------------------------|
| | | | | Outstanding July 01, 2020 | Issued | | Outstanding June 30, 2021 |
| 2016 GOB, Series A | 2035 | 2-5% | \$ 5,700,000 | \$ 3,665,000 | \$ - | \$ 175,000 | \$ 3,490,000 |
| 2016 GOB, Series C | 2041 | 2-5% | 15,000,000 | 11,975,000 | - | 75,000 | 11,900,000 |
| 2018 GOB, Series D | 2043 | 5% | 10,000,000 | 10,000,000 | - | - | 10,000,000 |
| 2018 GOB, Series E | 2021 | 3-4% | 3,000,000 | 1,855,000 | - | 1,090,000 | 765,000 |
| 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 | - | 5,325,000 |
| 2021 GOB, Series F | 2044 | .25-4% | 16,500,000 | - | 16,500,000 | - | 16,500,000 |
| Subtotal General Obligation Bonds | | | 57,355,000 | 27,495,000 | 23,655,000 | 1,340,000 | 49,810,000 |
| Bond Premiums | | | | 3,096,065 | 2,521,510 | 291,066 | 5,326,509 |
| Total General Obligation Bonds | | | <u>\$ 57,355,000</u> | <u>\$ 30,591,065</u> | <u>\$ 26,176,510</u> | <u>\$ 1,631,066</u> | <u>\$ 55,136,509</u> |

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 were \$22,098,070 (after payment of \$450,220 in underwriting fees, insurance, and other issuance costs and premiums of \$883,290).

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 were \$71,420,188 (after payment of \$540,000 in issuance costs and premiums of \$6,960,188).

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 rate of 3-5%, for capital projects throughout the District. The net proceeds were \$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 annually thereafter until August 1, 2043. For Series 2018E, principal payments begin August 1, 2019 and are due annually thereafter until August 1, 2021.

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.

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.

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

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2021**

The following is a summary of the annual debt service requirements as of June 30, 2021:

| For the Fiscal Year Ending June 30, | Principal | Interest | Total |
|--|----------------------|----------------------|----------------------|
| 2022 | \$ 3,420,000 | \$ 1,703,859 | \$ 5,123,859 |
| 2023 | 795,000 | 1,909,873 | 2,704,873 |
| 2024 | 1,550,000 | 1,879,529 | 3,429,529 |
| 2025 | 1,645,000 | 1,840,914 | 3,485,914 |
| 2026 | 1,765,000 | 1,793,790 | 3,558,790 |
| 2027-2031 | 8,305,000 | 8,119,919 | 16,424,919 |
| 2032-2036 | 8,410,000 | 6,530,500 | 14,940,500 |
| 2037-2041 | 13,115,000 | 4,157,600 | 17,272,600 |
| 2042-2046 | 10,805,000 | 767,675 | 11,572,675 |
| Total Debt Service | <u>\$ 49,810,000</u> | <u>\$ 28,703,659</u> | <u>\$ 78,513,659</u> |

NOTE 4 - COMMITMENTS

As of fiscal year end of June 30, 2021, the District had encumbered \$3,970,079 of the Measure L Bonds proceeds to be spent on capital projects in the fiscal year ended June 30, 2022.

SUPPLEMENTARY INFORMATION

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Schedule of Expenditures
For the Fiscal Year Ended June 30, 2021

| Site | Object | Total |
|--------------------------------------|-------------------------------|------------------|
| Abraham Lincoln Elementary | Capital Outlay | 244,788 |
| Abraham Lincoln Elementary Total | | 244,788 |
| Cesar Chavez Language Academy | Capital Outlay | 6,268 |
| Cesar Chavez Language Academy Total | | 6,268 |
| Charter School For The Arts | Other Outgo | 292,723 |
| Charter School For The Arts Total | | 292,723 |
| Elementary District Wide | Books and Supplies | 22 |
| | Capital Outlay | 560,147 |
| | Services | 271,575 |
| Elementary District Wide Total | | 831,745 |
| Elementary For Asst Sup Busins | Classified Personnel Salaries | 11,126 |
| | Employee Benefits | 3,111 |
| | Services | 194 |
| Elementary For Asst Sup Busins Total | | 14,432 |
| Hidden Valley | Capital Outlay | 45,911 |
| Hidden Valley Total | | 45,911 |
| Proctor Terrace | Capital Outlay | 50,398 |
| | Services | 1,889 |
| Proctor Terrace Total | | 52,287 |
| Steele Lane | Capital Outlay | 331,475 |
| | Services | 46,697 |
| Steele Lane Total | | 378,172 |
| Grand Total | | 1,866,327 |

The notes to program statement are an integral part of this schedule.

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Program Schedule
For the Fiscal Year Ended June 30, 2021**

NOTE 1 - THE PROGRAM

Proposition 39 was enacted by the voters on November 7, 2000, and changed the required majority for local voter approval of the public school and community college general obligation bonds from two-thirds to fifty-five percent of votes. It also required school districts to provide facilities to charter schools operating within their jurisdictions.

On November 4, 2014, voters approved Santa Rosa City Schools' Measure L Bonds. Measure L authorized the District to increase its debt by \$54 million through issuing general obligation bonds in order to update, renovate, repair, construct and purchase district facilities and technology. District officials estimated the additional property tax rate required to pay off this debt at \$30 per \$100,000 of assessed valuation.

A 55 percent supermajority vote was required for the approval of Measure L.

NOTE 2 - ORGANIZATION

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, 2021, included the following members:

| Governing Board | | |
|------------------------|----------------|---------------------|
| <u>Member</u> | <u>Office</u> | <u>Term Expires</u> |
| Laurie Fong | President | 2024 |
| Jill McCormick | Vice-President | 2022 |
| Ever Flores | Clerk | 2024 |
| Ed Sheffield | Trustee | 2024 |
| Alegria De La Cruz | Trustee | 2024 |
| Stephanie Manieri | Trustee | 2022 |
| Omar Medina | Trustee | 2022 |

| District Administration | |
|--------------------------------|---|
| <u>Name</u> | <u>Position</u> |
| Diann Kitamura, Ed.D. | Superintendent |
| Rick Edson | Deputy Superintendent, Chief Business Official |
| Anna Trunnell | Assistant Superintendent, Human Resources |
| Steve Mizera | Assistant Superintendent, Student and Family Services |
| Anna-Maria Guzman, Ed.D. | Assistant Superintendent, Teaching and Learning |
| Joel Dontos | Executive Director, Fiscal Services |

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Notes to Program Schedule
For the Fiscal Year Ended June 30, 2021**

NOTE 3 - CITIZEN'S OVERSIGHT COMMITTEE

Duties of the committee include ensuring that bond revenues are expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The committee must also ensure that no funds are used for any teacher or administrative salaries or other school operation expenses.

Furthermore, the committee is authorized to receive and review copies of the annual independent performance audit and the annual independent financial audit required by Article XIII A, Section 1(b)(3)(C) and Article XIII A, Section 1(b)(3)(D), respectively, of the California Constitution.

The Committee was formed by the Board of Trustees, as required by State law. During the fiscal year ended June 30, 2019, the District was unable to fill all of the committee positions, however, as required by Article XIII A, the District was actively seeking to fill these roles and publicly posted the vacancies. The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2021:

| <u>Name</u> | <u>Representing</u> | <u>Term Expiration</u> |
|------------------------|--|------------------------|
| Kristin Hendricks | Community Member/At Large | 2023 |
| Frank Pugh | Community Member/Finance Background | 2024 |
| Michael Von der Porten | Bona Fide Taxpayers' Organization Representative | 2025 |
| Vacant | Business Organization | - |
| Vacant | Senior Citizen's Organaization | - |
| Vacant | Taxpayer's Organization | - |
| Vacant | Parent or Guardian/Active PTO | - |
| Vacant | Community Member/Construction Background | - |

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2021

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Our tests resulted in no findings and recommendations.

**SANTA ROSA CITY SCHOOLS
MEASURE L BONDS
Schedule of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2021**

There were no prior year findings and recommendations to be reported.

**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***

Measure L Citizens’ Oversight Committee and
Governing Board Members
Santa Rosa City Schools

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 Measure L Bonds of Santa Rosa City Schools (the “District”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Santa Rosa City Schools’ Measure L Bonds financial statements, and have issued our report thereon dated March 6, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Rosa City Schools’ 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 Santa Rosa City Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Rosa City Schools’ 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. 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 Santa Rosa City Schools’ 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

March 6, 2022
Morgan Hill, California



INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Measure L Citizens' Oversight Committee and
Governing Board Members
Santa Rosa City Schools

Performance Audit

We were engaged to conduct a performance audit of the Santa Rosa City Schools (District) Measure L Fund (Fund) for the year ended June 30, 2021.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the 2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

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

The results of our tests indicated that the District expended 2014 Measure L Funds only for the specific projects approved by the voters in accordance with Proposition 39, and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the District and is not intended to be, and should not be used by, anyone other than the specified party.

Auditor Objectives

Our audit included the following objectives:

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the Measure L, and verify that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.



2. Determine whether salary transactions charged to the Fund were in support of Measure L and not for District general administration or operations, and verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

Scope

The scope of our performance audit covered the period of July 1, 2020 to June 30, 2021. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2021 were not reviewed or included within the scope of our audit or in this report.

Methodology

To meet the objectives of our performance audit, procedures we performed included, the following methodology:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
 - a. We considered all expenditures recorded in all object codes, including transfers out.
 - b. We considered all expenditures recorded in all projects that were funded from July 1, 2020 through June 30, 2021 from Measure L bond proceeds.
 - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified as individual transactions (expenditures) that exceeded approximately 5% of the total expenditures incurred.
 - d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2020 and ending June 30, 2021.
3. We examined 70% of all expenditures within the bond program to ensure they were valid, allowable, accurate, charged to the facilities projects, and expended on specific projects listed in the text of the applicable ballot measure. by vouching the actual invoices and other supporting documentation to determine that:
 - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
 - b. Expenditures were supported by proper bid documentation, as applicable.
 - c. Expenditures were expended in accordance with voter-approved bond project list.
 - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District
4. We verified that salary transactions charged to the Fund were in support of Measure L and not for District general administration or operations, and verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004



by the State of California Attorney General by vouching to supporting records such as offer letter, position control reports, timecards and payroll reports.

5. We verified that the District was in compliance with Assembly Bill 1908 and Ed Code Section 15278, where the District is required to establish a bond oversight committee for Proposition 39 bonds that includes one active member from each of the following sectors: a business organization, senior citizens' organization, bona fide taxpayer's association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.
6. We verified the Citizens' Oversight Committee met pursuant to Education Code Section 15280.

Conclusion

We did not identify any exceptions to the procedures performed above, in all significant respects. Based on the procedures performed, the District has properly accounted for the expenditures held in the Measure L Fund and that such expenditures were made for authorized bond projects. Our audit was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of nonperformance.

C & A LLP

March 6, 2022
Morgan Hill, California