

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

AUDIT REPORT

June 30, 2019



Chavan & Associates, LLP
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**SANTA ROSA CITY SCHOOLS
SONOMA COUNTY**

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of a Matter

Deficit Net Position

As of June 30, 2019, the District's net position in its Government-wide financial statements was at a deficit \$39,277,316 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.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. See Note 6 for a summary of direct borrowings. Our opinion has not been modified with respect to this matter.

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 *2018-19 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 February 14, 2020 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

February 14, 2020
San Jose, California

Management's Discussion and Analysis

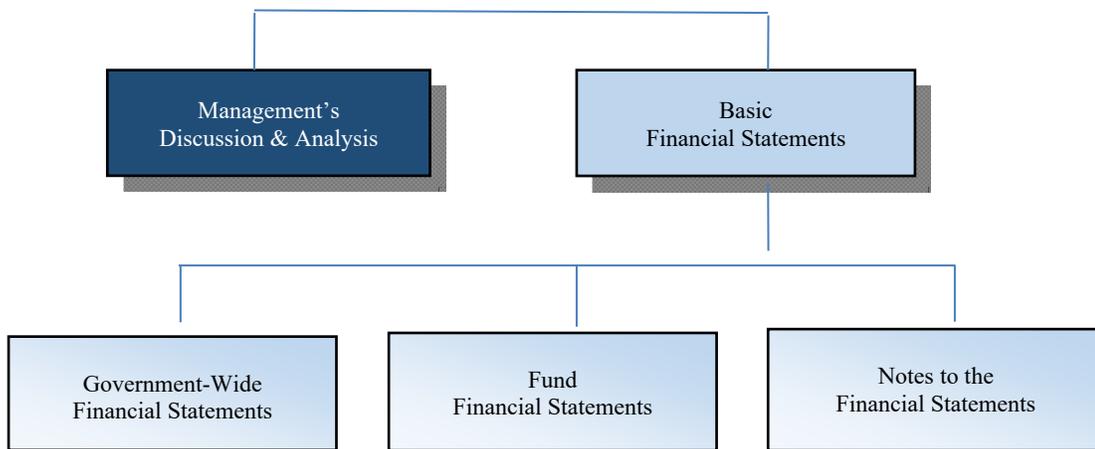
Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

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, 2019. 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, 2019 were as follows:

- Total net position decreased by \$2,359,207 (6.4%), unrestricted net position decreased \$6,496,931, from June 30, 2018 to June 30, 2019. The decrease in unrestricted net position was mainly due to a net increase in program expenses of \$18,484,866.
- The District recorded deferred outflows of resources of \$53,631,639 and deferred inflows of resources of \$20,458,165 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 \$250,901,806 in government-wide expenses which is 102% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$46,774,442, or 19%, of the total revenues of \$245,148,356.

Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

- General revenue of \$198,373,914 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 81% of total revenues in 2019 versus 84% in 2018.
- The fund balances of all governmental funds decreased by \$35,367,223, which is a 19% decrease from 2018 due to spending of bond funds on capital projects.
- Total governmental fund revenues and expenditures totaled \$244,903,527 and \$280,270,750, 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, 2019

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 2018 - 2019?" 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, 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, 2019

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, 2019 as compared to June 30, 2018:

Table 1 - Summary of Statement of Net Position				
Description	2019	2018	Change	Percentage Change
Assets				
Current Assets	\$ 174,581,077	\$ 208,642,866	\$ (34,061,789)	-16.3%
Capital Assets	213,917,705	191,353,345	22,564,360	11.8%
Total Assets	\$ 388,498,782	\$ 399,996,211	\$ (11,497,429)	-2.9%
Total Deferred Outflows of Resources	\$ 53,631,639	\$ 56,522,703	\$ (2,891,064)	-5.4%
Liabilities				
Current Liabilities	\$ 24,608,835	\$ 22,605,173	\$ 2,003,662	8.9%
Long-term Liabilities	436,340,737	459,000,093	(22,659,356)	-4.9%
Total Liabilities	\$ 460,949,572	\$ 481,605,266	\$ (20,655,694)	-4.3%
Total Deferred Inflows of Resources	\$ 20,458,165	\$ 11,831,757	\$ 8,626,408	42.2%
Net Position				
Net Investment in Capital Assets	\$ 82,143,721	\$ 77,992,852	\$ 4,150,869	5.3%
Restricted	18,984,961	18,998,106	(13,145)	-0.1%
Unrestricted	(140,405,998)	(133,909,067)	(6,496,931)	-4.9%
Total Net Position	\$ (39,277,316)	\$ (36,918,109)	\$ (2,359,207)	-6.4%

During the year, deferred outflows of resources decreased by 5.4%, deferred inflows of resources increased by 42%, and long-term liabilities decreased by 4.9% mostly because of the redemption of general obligation bonds. Additionally, 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 participates 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, 2019

Table 2 shows the changes in net position for fiscal year 2019 as compared to 2018:

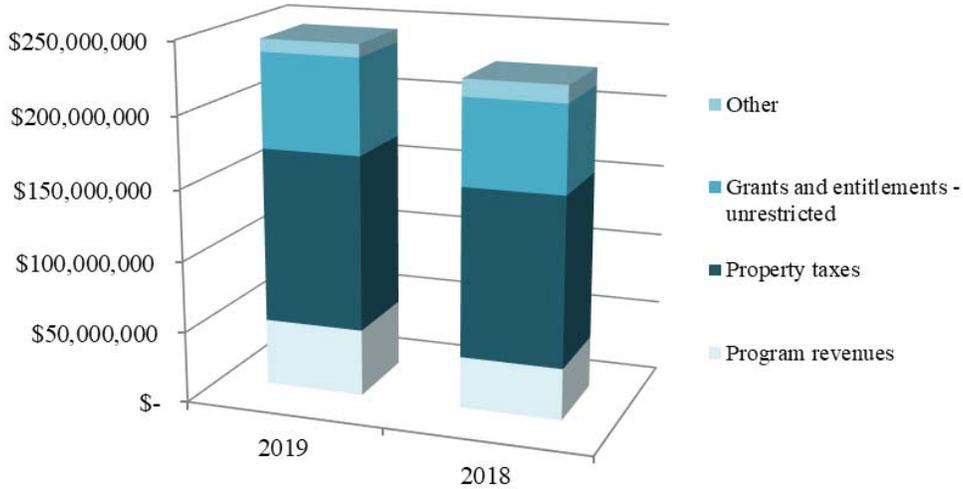
Table 2 - Summary of Changes in Statement of Activities				
Description	2019	2018	Change	Percentage Change
Revenues				
Program revenues	\$ 46,774,442	\$ 36,168,958	\$ 10,605,484	29.3%
General revenues:				
Property taxes	122,696,377	118,243,221	4,453,156	3.8%
Grants and entitlements - unrestricted	66,698,359	60,281,731	6,416,628	10.6%
Other	8,979,178	12,008,073	(3,028,895)	-25.2%
Total Revenues	245,148,356	226,701,983	18,446,373	8.1%
Program Expenses				
Instruction	138,253,242	127,929,691	10,323,551	8.1%
Instruction-related services	28,734,306	25,024,398	3,709,908	14.8%
Pupil services	27,624,912	24,581,043	3,043,869	12.4%
General administration	11,926,633	11,233,980	692,653	6.2%
Plant services	30,910,725	28,740,747	2,169,978	7.6%
Ancillary services	4,275,316	3,753,646	521,670	13.9%
Community services	1,426,685	1,299,346	127,339	9.8%
Other outgo	385,672	369,076	16,596	4.5%
Interest on long-term debt	7,364,315	9,485,013	(2,120,698)	-22.4%
Total Expenses	250,901,806	232,416,940	18,484,866	8.0%
Change in Net Position	(5,753,450)	(5,714,957)	(38,493)	-0.7%
Begininng Net Position	(36,918,109)	(20,791,622)	(16,126,487)	-77.6%
Prior Period Adjustments	3,394,243	(10,411,530)	13,805,773	132.6%
Ending Net Position	\$ (39,277,316)	\$ (36,918,109)	\$ (2,359,207)	-6.4%

The District's expenses for instructional services was 67% of total expenses in 2018-2019 as compared to 66% in 2017-2018. The purely administrative activities of the District accounted for 5% of total costs in 2018-2019 and in 2017-2018. Interest on long-term debt represented 3% of total expenses in 2018-2019 as compared to 4% in 2017-2018. Total expenses were 102% and 103% of revenue in 2018-2019 and in 2017-2018, respectively. In regard to revenue, program revenues were 19% of total revenues in 2018-2019 and 16% of total revenues in 2017-2018. The prior period adjustment of \$3,394,243 included an increase of \$8,429,610 and decrease of \$5,035,367 in net position for capital assets and long-term liabilities, respectively. See Note 4, Note 6, and Note 12 for more information.

Santa Rosa City Schools
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2019

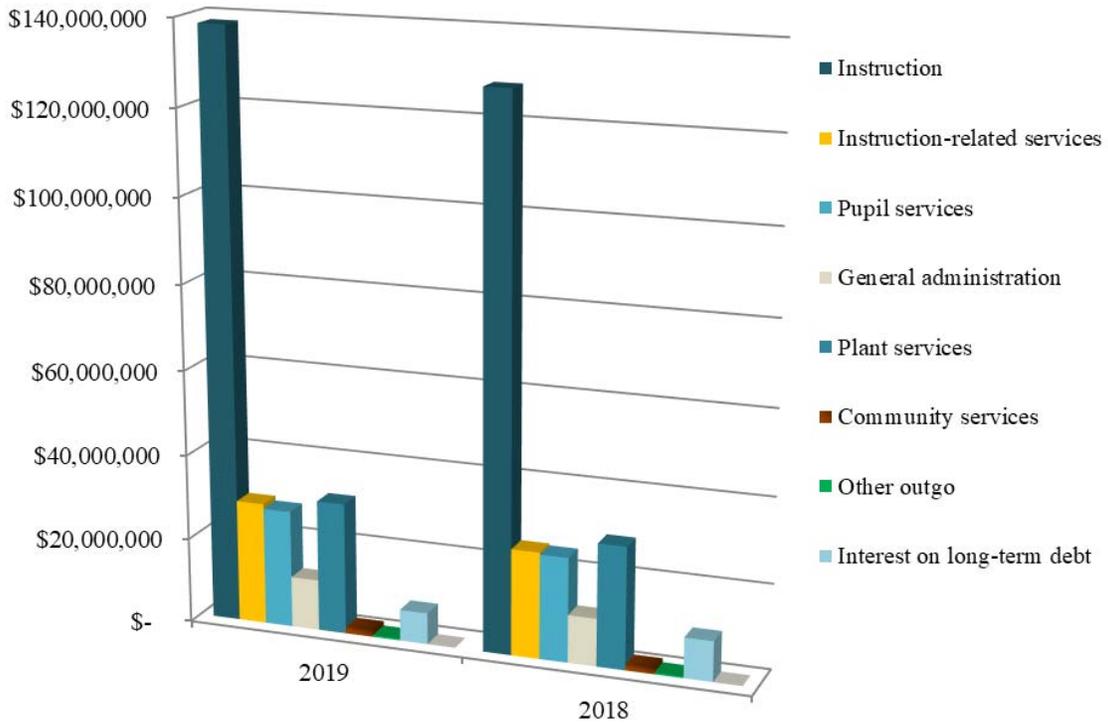
The following is a summary of government wide revenues for the fiscal year ended June 30, 2019:

Gov't Wide Revenues



The following is a summary of expenses by function for the fiscal year ended June 30, 2019:

Gov't Wide Program Expenses



Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

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	2019	2018	Change	Percentage	
				Change	
Instruction	\$ 110,531,004	\$ 106,990,123	\$ 3,540,881	3.3%	
Instruction-related services	24,005,362	21,212,399	2,792,963	13.2%	
Pupil services	18,796,464	16,533,399	2,263,065	13.7%	
General administration	10,930,957	10,675,278	255,679	2.4%	
Plant services	26,719,778	26,296,630	423,148	1.6%	
Ancillary services	4,042,805	3,401,417	641,388	18.9%	
Community services	1,380,464	1,298,560	81,904	6.3%	
Other outgo	356,215	355,163	1,052	0.3%	
Interest on long-term debt	7,364,315	9,485,013	(2,120,698)	-22.4%	
Total Net Cost of Services	\$ 204,127,364	\$ 196,247,982	\$ 7,879,382	4.02%	

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.

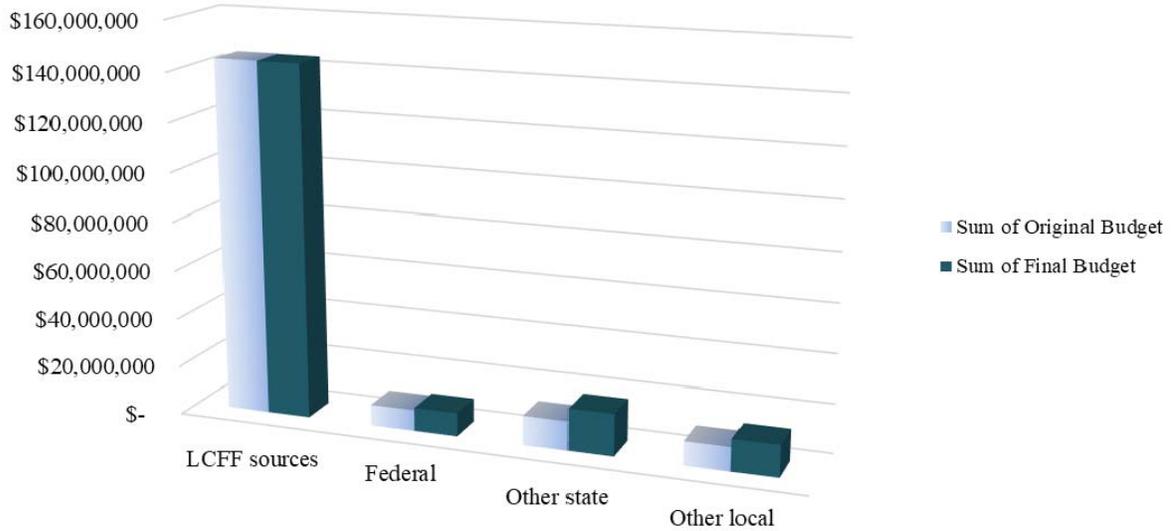
Table 4 - Summary of Fund Balances					
Description	2019	2018	Change	Percentage	
				Change	
General Fund	\$ 31,370,474	\$ 25,437,519	\$ 5,932,955	23.3%	
Charter School Fund	4,008,708	3,573,247	435,461	12.2%	
Building Fund	76,752,538	114,074,951	(37,322,413)	-32.7%	
Bond Interest and Redemption Fund	27,757,608	34,181,731	(6,424,123)	-18.8%	
Nonmajor Funds	12,995,423	10,984,526	2,010,897	18.3%	
Total Fund Balances	\$ 152,884,751	\$ 188,251,974	\$(35,367,223)	-18.8%	

Santa Rosa City Schools
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2019

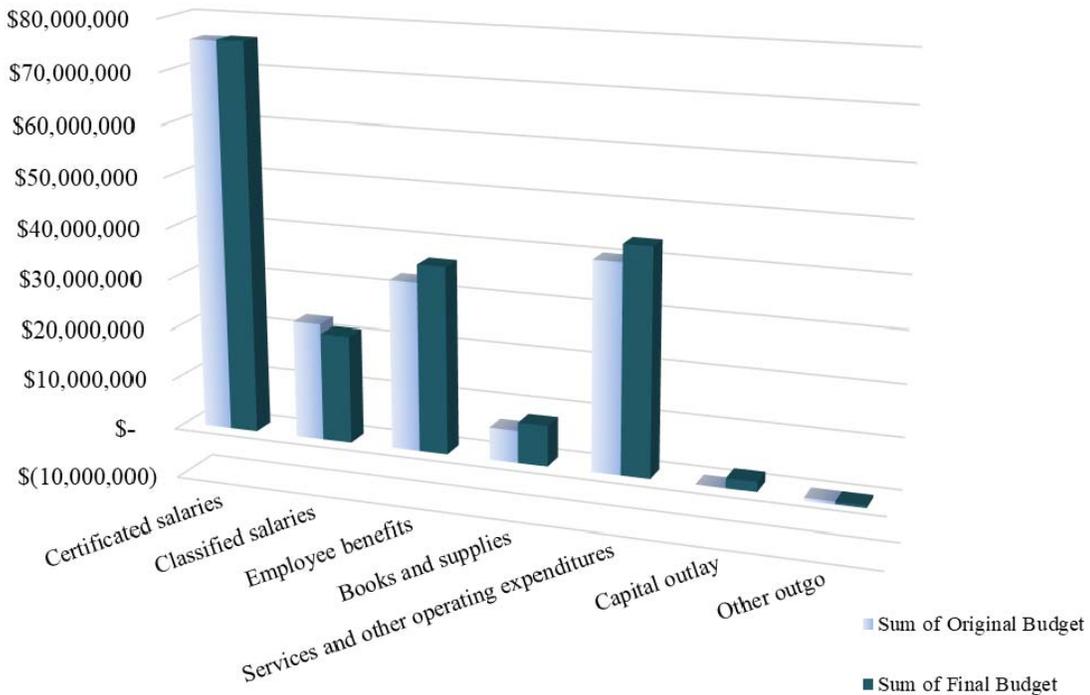
FINANCIAL ANALYSIS OF THE GENERAL FUND AND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2018-2019 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.

General Fund Budgeted Revenues



General Fund Budgeted Expenditures



Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

CAPITAL ASSETS

Table 5 shows June 30, 2019 balances as compared to June 30, 2018.

Table 5 - Summary of Capital Assets Net of Depreciation				
Description	2019	2018	Change	Percentage Change
Land	\$ 8,929,571	\$ 8,929,571	\$ -	0.0%
Work-in-Progress	11,905,520	30,526,543	(18,621,023)	-61.0%
Buildings and improvements	188,955,074	143,728,371	45,226,703	31.5%
Equipment	4,127,540	8,168,860	(4,041,320)	-49.5%
Total Capital Assets - Net	\$ 213,917,705	\$ 191,353,345	\$ 22,564,360	11.8%

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	2019	2018	Change	Percentage Change
General Obligation Bonds	\$ 219,390,905	\$ 245,604,902	\$ (26,213,997)	-10.7%
Charter School Facilities Program Loan	4,906,770	-	4,906,770	100.0%
Certificates of Participation	8,295,817	8,276,509	19,308	0.2%
Net Pension Obligations	176,776,742	178,158,487	(1,381,745)	-0.8%
Net OPEB Obligation	25,384,497	25,245,165	139,332	0.6%
Compensated Absences	1,586,006	1,715,030	(129,024)	-7.5%
Total Long-term Liabilities	\$ 436,340,737	\$ 459,000,093	\$(22,659,356)	-4.9%

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that will affect the Santa Rosa City Schools' future.

The District had a decrease in ADA for 2018-2019 and is projecting declining enrollment in future years. One significant issue the District will face over the next few years is higher costs arising from scheduled pension contribution rate increases.

By far the largest unknown for California school districts is the implementation of the Local Control Funding Formula (LCFF) which replaced the state Revenue Limit funding model in 2013-2014. The State fully implemented 100% GAP LCFF funding in 2018-19 for the District, two years ahead of schedule. This means the only LCFF adjustment moving forward will be for the Cost-of-Living Adjustment (COLA). 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, which is also a concerning factor.

Santa Rosa City Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Projections of California's economic future by the Department of Finance are positive, and the state has made significant progress toward the full implementation of the LCFF target funding. The State fully implemented 100% GAP LCFF funding in 2018-19 for the District, two years ahead of schedule. The economy has finished another year of expansion, lasting longer than the average recovery. While the economy is not contracting, the continued growth is. The Governor and the Department of Finance urge the Legislature and local governments, including School districts, to plan for the next recession. School districts are advised to budget conservatively and to maintain adequate reserves over the minimum typical 3%-5% required by the state.

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, 2019

	Governmental Activities
Assets	
Current assets:	
Cash and investments	164,013,191.00
Accounts receivable	10,248,119.00
Stores inventories and other assets	319,767.00
Total current assets	174,581,077.00
Noncurrent assets:	
Non-depreciable capital assets	20,835,091.00
Depreciable capital assets - net	193,082,614.00
Total noncurrent assets	213,917,705.00
Total Assets	388,498,782.00
Deferred Outflows of Resources	
Pension adjustments	50,181,552.00
OPEB adjustments	1,573,031.00
Deferred loss on early retirement of long-term debt	1,877,056.00
Total Deferred Outflows of Resources	53,631,639.00
Liabilities	
Current liabilities:	
Accounts payable	17,847,477.00
Unearned revenue	2,623,535.00
Accrued interest	4,137,823.00
Total current liabilities	24,608,835.00
Long-term liabilities:	
Due within one year	20,635,000.00
Due after one year	415,705,737.00
Total long-term liabilities	436,340,737.00
Total Liabilities	460,949,572.00
Deferred Inflows of Resources	
Pension adjustments	18,643,636.00
OPEB adjustments	1,814,529.00
Total Deferred Outflows of Resources	20,458,165.00
Net Position	
Net investment in capital assets	82,143,721.00
Restricted for:	
Capital projects	9,330,152.00
Debt service	3,826,703.00
Educational programs	5,828,106.00
Total restricted net position	18,984,961.00
Unrestricted	(140,405,998.00)
Total Net Position	(39,277,316.00)

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, 2019**

	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	\$ 138,253,242	\$ 187,436	\$ 27,534,263	\$ 539	\$ (110,531,004)
Instruction-related services:					
Supervision of instruction	8,088,531	6,627	2,833,233	-	(5,248,671)
Instruction library, media and technolo	1,712,651	5	59,579	-	(1,653,067)
School site administration	18,933,124	1,290	1,828,210	-	(17,103,624)
Pupil services:					
Home-to-school transportation	6,649,143	264	10,074	-	(6,638,805)
Food services	6,787,913	2,135,293	3,460,054	-	(1,192,566)
All other pupil services	14,187,856	18,578	3,204,185	-	(10,965,093)
General administration:					
Data processing	1,251,429	-	25,547	-	(1,225,882)
All other general administration	10,675,204	119,703	850,426	-	(9,705,075)
Plant services	30,910,725	47,412	4,143,535	-	(26,719,778)
Ancillary services	4,275,316	408	232,103	-	(4,042,805)
Community services	1,426,685	-	46,221	-	(1,380,464)
Payments to other agencies	385,672	3,201	26,256	-	(356,215)
Interest on long-term debt	7,364,315	-	-	-	(7,364,315)
Total governmental activities	<u>\$ 250,901,806</u>	<u>\$ 2,520,217</u>	<u>\$ 44,253,686</u>	<u>\$ 539</u>	<u>(204,127,364)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					96,542,741
Taxes levied for debt service					25,265,433
Taxes levied for other specific purposes					888,203
Federal and state aid non restricted to specific purposes					66,698,359
Interest and investment earnings					3,548,447
Interagency revenues					32,975
Miscellaneous					5,397,756
Total general revenues and special items					<u>198,373,914</u>
Change in net position					<u>(5,753,450)</u>
Net position beginning					(36,918,109)
Prior period adjustment - Capital Assets					8,429,610
Prior period adjustment - School Facilities Program Loan					(5,035,367)
Net position beginning, as adjusted					<u>(33,523,866)</u>
Net position ending					<u>\$ (39,277,316)</u>

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

**SANTA ROSA CITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 32,753,233	\$ 7,181,207	\$ 81,800,402	\$ 27,757,608	\$ 13,572,651	\$ 163,065,101
Accounts receivable	8,810,142	722,553	-	-	715,424	10,248,119
Due from other funds	5,884,019	298,362	1,231,661	-	3,051,300	10,465,342
Stores inventories and other assets	128,240	-	-	-	191,527	319,767
Total Assets	\$ 47,575,634	\$ 8,202,122	\$ 83,032,063	\$ 27,757,608	\$ 17,530,902	\$ 184,098,329
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 12,224,072	\$ 177,528	\$ 5,195,009	\$ -	\$ 250,868	\$ 17,847,477
Due to other funds	2,544,819	4,015,886	1,084,516	-	3,097,345	10,742,566
Unearned revenue	1,436,269	-	-	-	1,187,266	2,623,535
Total Liabilities	16,205,160	4,193,414	6,279,525	-	4,535,479	31,213,578
Fund balances:						
Nonspendable:						
Revolving fund	36,750	1,500	-	-	200	38,450
Stores inventory	128,240	-	-	-	191,527	319,767
Restricted for:						
Capital projects	-	-	76,752,538	-	9,330,152	86,082,690
Educational programs	5,575,496	252,610	-	-	-	5,828,106
Debt service	-	-	-	27,757,608	-	27,757,608
Assigned for:						
Instructional Materials	5,467,822	-	-	-	-	5,467,822
Educational programs	544,599	-	-	-	-	544,599
Capital projects	-	-	-	-	2,942,877	2,942,877
Charter school programs	-	3,754,598	-	-	-	3,754,598
Child care program	-	-	-	-	3,903	3,903
Deferred maintenance	-	-	-	-	718,491	718,491
Unassigned:						
Economic uncertainties	5,596,458	-	-	-	-	5,596,458
Unappropriated	14,021,109	-	-	-	(191,727)	13,829,382
Total Fund Balances	31,370,474	4,008,708	76,752,538	27,757,608	12,995,423	152,884,751
Total Liabilities and Fund Balances	\$ 47,575,634	\$ 8,202,122	\$ 83,032,063	\$ 27,757,608	\$ 17,530,902	\$ 184,098,329

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, 2019

Total fund balances - governmental funds		\$ 152,884,751
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	\$ 421,595,383	
Accumulated depreciation	<u>(207,677,678)</u>	213,917,705
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.		
		50,181,552
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.		
		(18,643,636)
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		1,573,031
Change in assumption		(1,814,529)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.		
		(4,137,823)
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.		
		1,225,314
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	\$ 219,390,905	
Certificates of participation	8,295,817	
Loss on early retirement of long-term debt	(1,877,056)	
School Facilities Loan	4,906,770	
Net pension obligations	176,776,742	
Total OPEB obligation	25,384,497	
Compensated absences (vacation)	<u>1,586,006</u>	<u>(434,463,681)</u>
Total net position - governmental activities		<u><u>\$ (39,277,316)</u></u>

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, 2019

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
LCFF sources	\$ 144,390,916	\$ 11,439,896	\$ -	\$ -	\$ -	\$ 155,830,812
Federal revenue	9,772,749	50,151	-	-	3,864,042	13,686,942
Other state	23,889,562	1,524,682	20,412	168,212	2,375,310	27,978,178
Other local	12,860,040	189,002	2,034,125	25,539,010	6,785,418	47,407,595
Total revenues	<u>190,913,267</u>	<u>13,203,731</u>	<u>2,054,537</u>	<u>25,707,222</u>	<u>13,024,770</u>	<u>244,903,527</u>
Expenditures:						
Current						
Instruction	115,560,963	8,265,944	-	-	478,024	124,304,931
Instruction-related services:						
Supervision of instruction	7,304,896	383,468	-	-	-	7,688,364
Instruction library, media and technology	1,010,360	139,696	-	-	-	1,150,056
School site administration	14,666,785	1,338,058	-	-	-	16,004,843
Pupil services:						
Home-to-school transportation	6,303,816	-	-	-	-	6,303,816
Food services	6,505	-	-	-	6,566,022	6,572,527
All other pupil services	13,221,938	241,612	-	-	-	13,463,550
General administration:						
Data processing	839,875	-	-	-	-	839,875
All other general administration	8,714,424	1,055,556	-	-	353,126	10,123,106
Plant services	14,338,632	546,509	6,639,394	-	2,351,383	23,875,918
Facilities acquisition and construction	-	-	32,737,556	-	904,938	33,642,494
Ancillary services	1,944,578	-	-	-	-	1,944,578
Community services	1,352,589	-	-	-	-	1,352,589
Payments to other agencies	88,086	-	-	-	292,761	380,847
Debt service:						
Principal	-	128,597	-	23,835,000	40,000	24,003,597
Interest and fees	-	74,620	-	8,296,345	248,694	8,619,659
Total expenditures	<u>185,353,447</u>	<u>12,174,060</u>	<u>39,376,950</u>	<u>32,131,345</u>	<u>11,234,948</u>	<u>280,270,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,559,820</u>	<u>1,029,671</u>	<u>(37,322,413)</u>	<u>(6,424,123)</u>	<u>1,789,822</u>	<u>(35,367,223)</u>
Other financing sources (uses):						
Transfers in	733,000	138,790	-	-	221,075	1,092,865
Transfers out	(359,865)	(733,000)	-	-	-	(1,092,865)
Total other financing sources (uses)	<u>373,135</u>	<u>(594,210)</u>	<u>-</u>	<u>-</u>	<u>221,075</u>	<u>-</u>
Net changes in fund balances	5,932,955	435,461	(37,322,413)	(6,424,123)	2,010,897	(35,367,223)
Fund balances beginning	<u>25,437,519</u>	<u>3,573,247</u>	<u>114,074,951</u>	<u>34,181,731</u>	<u>10,984,526</u>	<u>188,251,974</u>
Fund balances ending	<u>\$ 31,370,474</u>	<u>\$ 4,008,708</u>	<u>\$ 76,752,538</u>	<u>\$ 27,757,608</u>	<u>\$ 12,995,423</u>	<u>\$ 152,884,751</u>

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, 2019

Total net change in fund balances - governmental funds \$ (35,367,223)

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	\$	27,444,811	
Depreciation expense		(13,310,061)	14,134,750

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. (56,380)

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		24,003,597	
Amortization of bond premiums		2,378,997	
Amortization of loss on early retirement of long-term debt		(124,215)	

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: 129,024

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. (9,268,120)

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. (885,651)

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 244,829

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. (943,058)

Changes in net position of governmental activities \$ (5,753,450)

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, 2019**

	Internal Service Self Insurance Fund
Assets	
Cash	\$ 948,090
Due from other funds	<u>277,224</u>
 Total Assets	 <u><u>\$ 1,225,314</u></u>
 Net Position	
Restricted	<u>\$ 1,225,314</u>
 Total Net Position	 <u><u>\$ 1,225,314</u></u>

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

**SANTA ROSA CITY SCHOOLS
STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Internal Service Self Insurance Fund</u>
Operating Revenues	
Charges to other funds	\$ 2,453,549
Operating Expenses	
Services and other operating expenditures	<u>2,224,937</u>
Operating Income (Loss)	228,612
Nonoperating Revenues (Expenses):	
Interest income	<u>16,217</u>
Change in Net Position	244,829
Beginning Net Position	980,485
Ending Net Position	<u><u>\$ 1,225,314</u></u>

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, 2019**

	<u>Internal Service Self Insurance Fund</u>
Cash Flows from Operating Activities	
Cash received from assessments made to other funds	\$ 2,220,541
Cash paid for insurance and operating expenses	<u>(2,224,937)</u>
Net cash provided by (used for) operating activities	<u>(4,396)</u>
Cash Flows from Investing Activities	
Interest income	<u>16,217</u>
Increase in Cash and Cash Equivalents	11,821
Cash and Cash Equivalents - Beginning	<u>936,269</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 948,090</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 228,612
(Increase) decrease in due from other funds	<u>(233,008)</u>
Net cash provided by operating activities	<u><u>\$ (4,396)</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, 2019

	Expendable Trust <u>Scholarship Fund</u>	Student Body Agency Fund	<u>Total</u>
Assets			
Cash	\$ 15,400	\$ 948,513	\$ 963,913
Total Assets	<u>\$ 15,400</u>	<u>\$ 948,513</u>	<u>\$ 963,913</u>
Liabilities			
Due to student groups	\$ -	\$ 948,513	\$ 948,513
Total Liabilities	<u>\$ -</u>	<u>\$ 948,513</u>	<u>\$ 948,513</u>
Net Position			
Restricted	\$ 15,400	\$ -	\$ 15,400
Total Net Position	<u>\$ 15,400</u>	<u>\$ -</u>	<u>\$ 15,400</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, 2019**

	Expendable Trust
	Scholarship Fund
Additions	
Other local revenues	\$ 15,186
Deductions	
Other services and operating expenses	26,046
Changes in net position	(10,860)
Net position beginning	26,260
Net position ending	\$ 15,400

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, 2019

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, 2019.

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, 2019

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 except for agency fund, which have no measurement focus.

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

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 *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 three 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 three 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 *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 *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 agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The District maintains the following fiduciary funds:

- *Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.
- 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.

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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, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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

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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.

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.

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.

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All capital assets, except land and construction in progress, are depreciated using the straight-line method 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.

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.

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- *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, 2019, capital assets net of accumulated depreciation totaling \$213,917,705 was increased by unspent bond proceeds of \$76,752,538 and reduced by related debt of \$232,593,492, which excluded accreted interest of \$136,065 and premiums attributed to cash reserves for debt service of \$23,930,905. 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.

Debt service restrictions reflect the cash balances in the debt service funds of \$27,757,608 that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums of \$23,930,905.

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.

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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.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

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, 2019, 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.

Workers' Compensation:

For fiscal year 2019, the District participated in the RESIG JPA for workers compensation.

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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 New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the District’s financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have an impact on the District’s financial statements other than the existing balance on the direct borrowings from bond anticipation notes described in Note 6.

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K. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

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. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred

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outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial 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 are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

NOTE 2 – CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2019 is as follows:

Description	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash in bank	\$ 10,552	\$ 10,552
Cash with fiscal agent	139,342	139,342
Cash in revolving fund	38,450	38,450
Cash with County	163,824,847	164,023,075
Total Cash and Investments	\$ 164,013,191	\$ 164,211,419
Fiduciary Funds:		
Cash in Banks	\$ 963,913	\$ 963,913

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, 2019, the bank balance of the District's bank accounts was \$1,802,777, of which \$1,241,382 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, 2019:

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 \$2.527 billion and an amortized book value of \$2.524 billion. The average weighted maturity for this pool is 552 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, 2019:

Receivables	General	Charter	Nonmajor	Total
	Fund	School Fund	Funds	
Federal	\$ 4,690,173	\$ -	\$ 666,475	\$ 5,356,648
State	2,911,270	199,323	47,817	3,158,410
Local	199,402	-	-	199,402
Other resources	1,009,297	523,230	1,132	1,533,659
Total Accounts Receivable	<u>\$ 8,810,142</u>	<u>\$ 722,553</u>	<u>\$ 715,424</u>	<u>\$ 10,248,119</u>

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NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2019 were as follows:

Capital Assets	Balance				Balance June 30, 2019
	July 01, 2018	Additions	Deletions	Adjustments	
Land - not depreciable	\$ 8,929,571	\$ -	\$ -	\$ -	\$ 8,929,571
Work-in-progress - not depreciable	30,526,543	26,092,692	(37,308,318)	(7,405,397)	11,905,520
Buildings and improvements	309,705,720	37,308,318	-	46,658,207	393,672,245
Furniture and equipment	20,453,879	1,352,119	-	(14,717,951)	7,088,047
Total capital assets	369,615,713	64,753,129	(37,308,318)	24,534,859	421,595,383
Less accumulated depreciation for:					
Buildings and improvements	165,977,349	12,896,686	-	25,843,136	204,717,171
Furniture and equipment	12,285,019	413,375	-	(9,737,887)	2,960,507
Total accumulated depreciation	178,262,368	13,310,061	-	16,105,249	207,677,678
Total capital assets - net depreciation	\$191,353,345	\$ 51,443,068	\$ (37,308,318)	\$ 8,429,610	\$213,917,705

During the year, the District performed a capital assets valuation and inventory which resulted in a net beginning balance increase of \$8,429,610. The prior financial statements were qualified for capital assets balances.

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 7,746,838
Instruction library, media and technology	507,247
School site administration	2,124,826
Data processing	365,545
Food services	215,030
All other general administration	74,717
Plant services	51,645
<u>Ancillary services</u>	<u>2,224,213</u>
Total depreciation expense	<u>\$ 13,310,061</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 2019 were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 733,000	\$ 359,865
Charter School Fund	138,790	733,000
Nonmajor Funds	221,075	-
Totals	<u>\$ 1,092,865</u>	<u>\$ 1,092,865</u>

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2019:

Fund	Due From	Due To
General Fund	\$ 5,884,019	\$ 2,544,819
Charter School Fund	298,362	4,015,886
Building Fund	1,231,661	1,084,516
Internal Service Self Insurance Fund	277,224	-
Nonmajor Funds	3,051,300	3,097,345
Totals	<u>\$ 10,742,566</u>	<u>\$ 10,742,566</u>

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, 2019, is shown below:

Description	Balance July 01, 2018	Adjustments & Additions	Deletions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$ 245,604,902	\$ -	\$ 26,213,997	\$ 219,390,905	\$ 20,570,000
Direct Borrowing:					
School Facilities Program Loan	-	5,035,367	128,597	4,906,770	131,420
Certificates of Participation:					
Principal Payments	8,140,444	-	37,072	8,103,372	65,000
Accreted Interest	136,065	59,308	2,928	192,445	-
Total COP's	8,276,509	59,308	40,000	8,295,817	65,000
Net Pension Liability	178,158,487	60,369,227	61,750,972	176,776,742	-
Total OPEB Liability	25,245,165	5,034,999	4,895,667	25,384,497	-
Compensated Absences	1,715,030	-	129,024	1,586,006	-
Total Long-term Liabilities	<u>\$ 459,000,093</u>	<u>\$ 70,498,901</u>	<u>\$ 93,158,257</u>	<u>\$ 436,340,737</u>	<u>\$ 20,635,000</u>

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.

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During the year, the District decreased beginning net position by \$5,035,367 to reflect the Charter School Facilities Program loan.

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.

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.

A summary of the District's general obligation bonded debt as of June 30, 2019 is as follows:

Bond	Maturity Date	Interest Rate	Original Issue	Bonds		Adjustments & Redeemed	Bonds
				Outstanding July 01, 2018	Issued		Outstanding June 30, 2019
2011 GORB	2021	2-5	\$ 18,575,000	\$ 3,625,000	\$ -	\$ 1,165,000	\$ 2,460,000
2011 GORB	2026	2-4.125	4,950,000	3,230,000	-	310,000	2,920,000
2013 GORB	2030	2-5	51,510,000	19,165,000	-	4,465,000	14,700,000
2013 GORB	2030	2-4	9,815,000	7,890,000	-	530,000	7,360,000
2015 GORB	2021	2-5	27,370,000	13,445,000	-	4,810,000	8,635,000
2015 GORB	2022	2-5	5,415,000	3,115,000	-	790,000	2,325,000
2016 GOB, Series A	2035	2-5	5,700,000	4,005,000	-	170,000	3,835,000
2016 GOB, Series B	2019	2-4	3,800,000	1,400,000	-	1,400,000	-
2016 GOB, Series A	2019	2-4	12,165,000	2,040,000	-	2,040,000	-
2016 GOB, Series B	2041	2-5	50,000,000	43,435,000	-	6,665,000	36,770,000
2016 GOB, Series C	2041	2-5	15,000,000	13,855,000	-	1,200,000	12,655,000
2017 GORB	2028	2-5	21,090,000	21,090,000	-	290,000	20,800,000
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	3,000,000	-	-	3,000,000
2018 GOB, Series C	2043	4-5	65,000,000	65,000,000	-	-	65,000,000
2018 GOB, Series D	2019	3	5,000,000	5,000,000	-	-	5,000,000
Subtotal General Obligation Bonds			308,390,000	219,295,000	-	23,835,000	195,460,000
Bond Premiums				26,309,902	-	2,378,997	23,930,905
Total General Obligation Bonds			<u>\$308,390,000</u>	<u>\$ 245,604,902</u>	<u>\$ -</u>	<u>\$ 26,213,997</u>	<u>\$ 219,390,905</u>

The annual debt service requirements of the bonds as of June 30, 2019 are as follows:

For the Fiscal Year	Principal	Interest	Total
Ending June 30,			
2020	\$ 20,570,000	\$ 9,977,763	\$ 30,547,763
2021	15,470,000	8,981,931	24,451,931
2022	7,350,000	8,207,900	15,557,900
2023	5,385,000	7,908,250	13,293,250
2024	5,705,000	7,017,250	12,722,250
2025-2029	32,610,000	30,927,628	63,537,628
2030-2034	23,985,000	24,219,730	48,204,730
2035-2039	35,895,000	17,277,575	53,172,575
2040-2044	48,490,000	6,393,875	54,883,875
Total Debt Service GOB's	<u>\$ 195,460,000</u>	<u>\$ 120,911,902</u>	<u>\$ 316,371,902</u>

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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, 2019 are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2020	\$ 65,000	\$ 246,394	\$ -	\$ 311,394
2021	95,000	244,794	-	339,794
2022	125,000	242,594	-	367,594
2023	125,251	241,344	34,749	401,344
2024	145,404	241,344	49,596	436,344
2025-2029	1,020,798	1,181,406	514,202	2,716,406
2030-2034	2,611,920	1,030,053	203,080	3,845,053
2035-2039	3,914,999	332,563	-	4,247,562
Total Debt Service COP's	\$ 8,103,372	\$ 3,760,492	\$ 801,627	\$ 12,665,491

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.

The annual debt service requirements of the CSFP loans as of June 30, 2019 are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 131,420	\$ 97,199	\$ 228,619
2021	134,071	94,547	228,618
2022	136,776	91,843	228,619
2023	139,535	89,084	228,619
2024	142,350	86,269	228,619
2025-2029	755,998	387,093	1,143,091
2030-2034	835,392	307,700	1,143,092
2035-2039	923,123	219,969	1,143,092
2040-2044	1,020,067	123,025	1,143,092
2045-2049	688,038	23,216	711,254
Total Debt Service CSFP Loans	\$ 4,906,770	\$ 1,519,945	\$ 6,426,715

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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 is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

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

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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, 2019, 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	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

(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 fiscal year ending June 30, 2019, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2019, the District's contributions were as follows:

	CalPERS
Employer Contributions	\$ 3,865,049
State Contributions	1,475,238
Total	\$ 5,340,287

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

As of June 30, 2019, 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	\$ 43,511,592

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, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's

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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, 2018 and 2019 was as follows:

	CalPERS
Proportion - June 30, 2018	0.16521%
Proportion - June 30, 2019	0.16319%
Change - Increase/(Decrease)	-0.00202%

For the year ended June 30, 2019, the District recognized pension expense of \$8,179,345 for the Plan.

At June 30, 2019, 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	\$ 4,344,441	\$ -
Differences between Expected and Actual Experience	2,852,461	-
Differences between Projected and Actual Investment Earnings	356,893	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	90,498
Change in Employer's Proportion	28,261	607,185
Pension Contributions Made Subsequent to Measurement Date	3,865,049	-
Total	\$ 11,447,105	\$ 697,683

The District reported \$3,865,049 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, 2020.

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

	Deferred Outflows/ (Inflows) of Resources
Fiscal Year Ending June 30:	CalPERS
2020	\$ 4,207,013
2021	3,094,114
2022	(159,931)
2023	(256,824)
Total	\$ 6,884,372

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Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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 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, 2018 based on June 30, 2017 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 pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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

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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 CAFR, Fixed Income is included in Global Debt Securities; 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.

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:

	<u>CalPERS</u>
1% Decrease	6.15%
Net Pension Liability	\$ 63,350,797
Current	7.15%
Net Pension Liability	\$ 43,511,592
1% Increase	8.15%
Net Pension Liability	\$ 27,052,131

**SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019, 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	16.280%	16.280%
Required State contribution rates	9.828%	9.828%

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, 2019 the District's contributions were as follows:

	CalSTRS
Employer Contributions	\$ 12,897,120
State Contributions	12,175,102
Total	\$ 25,072,222

**SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

As of June 30, 2019, 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	\$ 133,265,150
State	76,300,962
Total	\$ 209,566,112

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, 2018, 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, 2017 rolled forward to June 30, 2018 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 9.124 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year plus an additional \$5,127,377 as required by SB90. 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, 2018 and 2019 was as follows:

	CalSTRS
Proportion - June 30, 2018	0.15000%
Proportion - June 30, 2019	0.14500%
Change - Increase/(Decrease)	<u>-0.00500%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$14,199,742 for the Plan.

At June 30, 2019, 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	\$ 20,703,100	\$ -
Differences between Expected and Actual Experience	413,250	1,935,750
Differences between Projected and Actual Investment Earnings	-	5,131,550
Differences between Employer's Contributions and Proportionate Share of Contributions	495,948	-
Change in Employer's Proportion	4,225,029	10,878,653
Pension Contributions Made Subsequent to Measurement Date	12,897,120	-
Total	\$ 38,734,447	\$ 17,945,953

**SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District reported \$12,897,120 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, 2020. 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 CalSTRS
2020	\$ 3,203,997
2021	1,281,297
2022	(2,216,103)
2023	2,950,118
2024	3,233,851
Thereafter	(561,787)
Total	\$ 7,891,373

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Wage Growth	3.50%
Postretirement Benefit Increases	(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-2016 Ultimate Projection
 Scale table issued by the Society of Actuaries.

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.

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return ⁽¹⁾
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%
Total	<u>100.00%</u>	

⁽¹⁾ 20 year average

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:

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability	\$ 195,217,850
Current	7.10%
Net Pension Liability	\$ 133,265,150
1% Increase	8.10%
Net Pension Liability	\$ 81,900,350

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.

**SANTA ROSA CITY SCHOOLS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

Employees Covered by Benefit Terms - At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	714
Inactive employees	113
Total employees	827

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 \$1,573,031. Total contributions included in the measurement period were \$1,546,678. The actuarially determined contribution for the measurement period was \$3,161,956. The District's contributions were 1.53% of covered employee payroll during the measurement period June 30, 2018 (reporting period June 30, 2019). 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, 2017
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	8.12 years
Actuarial Assumptions:	
Discount Rate	3.62%
Inflation	2.50%
Salary Increases	2.75%
Healthcare Trend Rate	6.80%
Mortality	Teachers: CalSTRS actuarial valuation dated June 30, 2017 Nonteachers: CalPERS Experience Study for Miscellaneous December 2017

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Fiscal Year Ended June 30, 2019 (Measurement Date June 30, 2018)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018	\$ 25,245,165	\$ -	\$ 25,245,165
Service cost	1,760,939	-	1,760,939
Interest in Total OPEB Liability	934,573	-	934,573
Balance of changes in assumptions	(1,048,073)	-	(1,048,073)
Benefit payments	(1,508,107)	-	(1,508,107)
Net changes	139,332	-	139,332
Balance at June 30, 2019	<u>\$ 25,384,497</u>	<u>\$ -</u>	<u>\$ 25,384,497</u>

Covered Employee Payroll	\$ 102,937,530
Total OPEB Liability as a % of Covered Employee Payroll	24.66%
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%
Service Cost as a % of Covered Employee Payroll	1.71%
Net OPEB Liability as a % of Covered Employee Payroll	24.66%

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, 2019, 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
Change in assumptions	\$ -	\$ 1,814,529
OPEB contribution subsequent to measurement date	1,573,031	-
Totals	<u>\$ 1,573,031</u>	<u>\$ 1,814,529</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,573,031 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, 2020. 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,	
2020	\$ (275,401)
2021	(275,401)
2022	(275,401)
2023	(275,403)
2024	(275,401)
Thereafter	(437,522)
Total	<u>\$ (1,814,529)</u>

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Service cost	\$ 1,760,939
Interest in TOL	934,573
Change in assumptions	<u>(275,401)</u>
OPEB Expense	<u>\$ 2,420,111</u>

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Total OPEB liability ending	\$ 25,384,497
Total OPEB liability beginning	<u>(25,245,165)</u>
Change in total OPEB liability	139,332
Changes in deferred inflows	772,672
Employer contributions and implicit subsidy	<u>1,508,107</u>
OPEB Expense	<u>\$ 2,420,111</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)	3.62%	(1% Increase)
Total OPEB Liability	\$ 27,165,781	\$ 25,384,497	\$ 23,701,626

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)	6.80%	(1% Increase)
Total OPEB Liability	\$ 23,096,901	\$ 25,384,497	\$ 28,041,447

NOTE 11 – SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

SANTA ROSA CITY SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

During the year, the District performed an inventory and valuation of its capital assets, which resulted in the District recording a prior period adjustment to increase net position by \$8,429,610 as noted in Note 4. As noted in Note 6, the District recorded a prior period adjustment to decrease net position by \$5,035,367 for a Charter School Facilities Program loan that was previously recorded as state revenue. These prior period adjustments resulted in a net increase of \$3,394,243 to the District's net position.

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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, 2019

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive - (Negative)
Revenues:				
LCFF sources	\$ 144,258,342	\$ 144,127,762	\$ 144,390,916	\$ 263,154
Federal revenues	8,628,519	9,562,159	9,772,749	210,590
Other state	11,952,866	17,193,968	23,889,562	6,695,594
Other local	9,836,899	13,026,263	12,860,040	(166,223)
Total revenues	<u>174,676,626</u>	<u>183,910,152</u>	<u>190,913,267</u>	<u>7,003,115</u>
Expenditures:				
Certificated salaries	75,875,743	76,031,567	76,285,970	(254,403)
Classified salaries	22,900,675	21,040,367	20,286,734	753,633
Employee benefits	32,837,993	36,349,586	41,541,329	(5,191,743)
Books and supplies	6,312,304	7,907,255	5,411,874	2,495,381
Services and other operating expenditures	40,248,039	43,639,500	42,111,031	1,528,469
Capital outlay	20,000	1,948,071	394,543	1,553,528
Other outgo	(553,264)	(499,955)	(678,034)	178,079
Total expenditures	<u>177,641,490</u>	<u>186,416,391</u>	<u>185,353,447</u>	<u>1,062,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,964,864)</u>	<u>(2,506,239)</u>	<u>5,559,820</u>	<u>8,066,059</u>
Other financing sources (uses):				
Transfers in	733,000	733,000	733,000	-
Transfers out	(138,790)	(138,790)	(359,865)	(221,075)
Total other financing sources (uses)	<u>594,210</u>	<u>594,210</u>	<u>373,135</u>	<u>(221,075)</u>
Change in fund balance	<u>\$ (2,370,654)</u>	<u>\$ (1,912,029)</u>	5,932,955	<u>\$ 7,844,984</u>
Fund balances beginning			<u>25,437,519</u>	
Fund balances ending			<u>\$ 31,370,474</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. Employee benefits exceeded budget as noted above because of unanticipated onbehalf payments for STRS and PERS from the state, which is offset by revenue.

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, 2019

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF sources	\$ 11,794,210	\$ 11,582,417	\$ 11,439,896	\$ (142,521)
Federal revenues	58,632	58,632	50,151	(8,481)
Other state	959,866	707,951	1,524,682	816,731
Other local	19,476	92,013	189,002	96,989
Total revenues	<u>12,832,184</u>	<u>12,441,013</u>	<u>13,203,731</u>	<u>762,718</u>
Expenditures:				
Certificated salaries	5,942,356	6,145,453	6,107,126	38,327
Classified salaries	862,942	883,960	860,483	23,477
Employee benefits	1,817,361	1,967,870	2,593,993	(626,123)
Books and supplies	602,469	814,684	544,548	270,136
Services and other operating expenditures	1,207,640	1,410,967	1,429,640	(18,673)
Other outgo	435,053	638,270	638,270	-
Total expenditures	<u>10,867,821</u>	<u>11,861,204</u>	<u>12,174,060</u>	<u>(312,856)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,964,363</u>	<u>579,809</u>	<u>1,029,671</u>	<u>449,862</u>
Other financing sources (uses):				
Transfers in	138,790	138,790	138,790	-
Transfers out	<u>(733,000)</u>	<u>(733,000)</u>	<u>(733,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(594,210)</u>	<u>(594,210)</u>	<u>(594,210)</u>	<u>-</u>
Change in fund balance	<u>\$ 1,370,153</u>	<u>\$ (14,401)</u>	435,461	<u>\$ 449,862</u>
Fund balances beginning			<u>3,573,247</u>	
Fund balances ending			<u>\$ 4,008,708</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 unanticipated onbehalf payments for STRS and PERS from the state, which is offset by revenue.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CalPERS	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 1,957,100	\$ 2,193,239	\$ 2,926,108	\$ 3,344,202	\$ 3,865,049
Contributions in Relation to Contractually Required Contributions	1,957,100	2,193,239	2,926,108	3,344,202	3,865,049
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 16,626,455	\$ 18,513,033	\$ 21,069,326	\$ 21,532,432	\$ 21,398,788
Contributions as a % of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%

Notes to Schedule:

Valuation Date: June 30, 2017
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
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.

STRS	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 6,233,054	\$ 8,502,761	\$ 10,046,129	\$ 11,276,388	\$ 12,897,120
Contributions in Relation to Contractually Required Contributions	6,233,054	8,502,761	10,046,129	11,276,388	12,897,120
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 70,192,050	\$ 79,242,880	\$ 79,857,941	\$ 78,145,447	\$ 79,220,639
Contributions as a % of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%

Notes to Schedule:

Valuation Date: June 30, 2017
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-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

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

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, 2019

CalPERS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.16320%	0.16437%	0.16557%	0.16521%	0.16319%
District's Proportionate Share of Net Pension Liability	\$ 18,527,174	\$ 24,228,612	\$ 32,700,460	\$ 39,439,987	\$ 43,511,592
District's Covered Payroll	\$ 17,134,653	\$ 16,626,455	\$ 18,513,033	\$ 21,069,326	\$ 21,532,432
District's Proportionate Share of NPL as a % of Covered Payroll	108.13%	145.72%	176.63%	187.19%	202.07%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%
STRS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.16100%	0.15876%	0.15796%	0.15000%	0.14500%
District's Proportionate Share of Net Pension Liability	\$ 94,083,570	\$ 106,880,850	\$ 127,758,630	\$ 138,718,500	\$ 133,265,150
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
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>
District's Covered Payroll	\$ 71,527,539	\$ 70,192,050	\$ 79,242,880	\$ 79,857,941	\$ 78,145,447
District's Proportionate Share of NPL as a % of Covered Payroll	131.53%	152.27%	161.22%	173.71%	170.53%
Plan's Fiduciary Net Position as a % of the TPL	76.52%	74.02%	70.04%	69.46%	70.99%

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

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.

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.

This schedule presents information on the District's portion of the net pension liability of CalPERS / CalSTRS in compliance with GASB 68.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Fiscal Year Ended	2018	2019
Total OPEB liability		
Service cost	\$ 1,909,893	\$ 1,760,939
Interest	770,739	934,573
Changes of assumptions	(1,188,185)	(1,048,073)
Benefit payments	(1,465,101)	(1,508,107)
Net change in Total OPEB Liability	27,346	139,332
Total OPEB Liability - beginning	25,217,819	25,245,165
Total OPEB Liability - ending	<u>\$ 25,245,165</u>	<u>\$ 25,384,497</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>
Net OPEB liability (asset)	\$ 25,245,165	\$ 25,384,497
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered Employee Payroll	\$ 99,129,925	\$ 100,182,511
Net OPEB liability as a percentage of covered employee payroll	25.47%	25.34%
Total OPEB liability as a percentage of covered employee payroll	25.47%	25.34%

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.

There were not changes in benefit terms.

There were no changes in trend rates or assumptions, other than an increase in the discount rate from 3.56% to 3.62%.

SUPPLEMENTARY
INFORMATION

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*Nonmajor Governmental Funds
Combining Schedules*

**SANTA ROSA CITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	
Assets							
Cash and investments	\$ 98,044	\$ 726,174	\$ 718,491	\$ 4,652,482	\$ 26,612	\$ 7,350,848	\$ 13,572,651
Accounts receivable	40,682	666,475	-	1,132	-	7,135	715,424
Due from other funds	-	385,625	-	-	1,082,066	1,583,609	3,051,300
Stores inventories and other	-	191,527	-	-	-	-	191,527
Total Assets	\$ 138,726	\$ 1,969,801	\$ 718,491	\$ 4,653,614	\$ 1,108,678	\$ 8,941,592	\$ 17,530,902
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 103,541	\$ 135,399	\$ -	\$ 11,928	\$ -	\$ -	\$ 250,868
Due to other funds	31,282	1,834,402	-	-	1,108,139	123,522	3,097,345
Unearned revenue	-	-	-	-	-	1,187,266	1,187,266
Total Liabilities	134,823	1,969,801	-	11,928	1,108,139	1,310,788	4,535,479
Fund balances:							
Nonspendable:							
Revolving fund	-	200	-	-	-	-	200
Inventory	-	191,527	-	-	-	-	191,527
Restricted for:							
Capital projects	-	-	-	4,641,686	539	4,687,927	9,330,152
Assigned for:							
Capital projects	-	-	-	-	-	2,942,877	2,942,877
Child care program	3,903	-	-	-	-	-	3,903
Deferred maintenance	-	-	718,491	-	-	-	718,491
Unassigned:							
Unappropriated	-	(191,727)	-	-	-	-	(191,727)
Total Fund Balances	3,903	-	718,491	4,641,686	539	7,630,804	12,995,423
Total Liabilities and Fund Balances	\$ 138,726	\$ 1,969,801	\$ 718,491	\$ 4,653,614	\$ 1,108,678	\$ 8,941,592	\$ 17,530,902

SANTA ROSA CITY SCHOOLS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	
	Revenues:						
Federal revenue	\$ -	\$ 3,864,042	\$ -	\$ -	\$ -	\$ -	\$ 3,864,042
Other state	478,024	387,213	-	982	-	1,509,091	2,375,310
Other local	1,399	2,288,727	14,666	1,015,031	539	3,465,056	6,785,418
Total revenues	479,423	6,539,982	14,666	1,016,013	539	4,974,147	13,024,770
Expenditures:							
Current							
Instruction	478,024	-	-	-	-	-	478,024
Pupil services:							
Food services	-	6,566,022	-	-	-	-	6,566,022
General administration:							
All other general administration	-	331,083	-	22,043	-	-	353,126
Plant services	-	117,048	17,901	456,894	-	1,759,540	2,351,383
Facilities acquisition and construction	-	-	-	-	-	904,938	904,938
Payments to other agencies	-	-	-	292,761	-	-	292,761
Debt service:							
Principal	-	-	-	-	-	40,000	40,000
Interest and Fees	-	-	-	-	-	248,694	248,694
Total expenditures	478,024	7,014,153	17,901	771,698	-	2,953,172	11,234,948
Excess (deficiency) of revenues over (under) expenditures	1,399	(474,171)	(3,235)	244,315	539	2,020,975	1,789,822
Other financing sources (uses):							
Transfers in	-	221,075	-	-	-	-	221,075
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	221,075	-	-	-	-	221,075
Change in fund balances	1,399	(253,096)	(3,235)	244,315	539	2,020,975	2,010,897
Fund balances beginning	2,504	253,096	721,726	4,397,371	-	5,609,829	10,984,526
Fund balances ending	\$ 3,903	\$ -	\$ 718,491	\$ 4,641,686	\$ 539	\$ 7,630,804	\$ 12,995,423

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STATE AND FEDERAL
AWARD COMPLIANCE
SECTION

**SANTA ROSA CITY SCHOOLS
ORGANIZATION (UNAUDITED)
JUNE 30, 2019**

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, 2019, included the following members:

Governing Board

Member	Office	Term Expires
Jenni Klose	President	2020
Laurie Fong	Vice-President	2020
Stephanie Manieri	Clerk	2022
Alegria De La Cruz	Director	2020
Ed Sheffield	Director	2020
Jill McCormick	Director	2022
Omar Medina	Director	2022

District Administrators

Name	Position
Diann Kitamura	Superintendent
Rick Edson	Assistant Superintendent, Business Services
Stacy Spector	Assistant Superintendent, Human Resources
Steve Mizera	Assistant Superintendent, Student and Family Services
Anna-Maria Guzman, Ed.D.	Assistant Superintendent, Curriculum and Instruction
Joel Dontos	Executive Director, Fiscal Services

SANTA ROSA CITY SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Santa Rosa Elementary				
Regular ADA:				
Grades TK/K through three	1,952.11	1,964.75	1,952.11	1,964.75
Grades four through six	1,456.29	1,457.51	1,456.29	1,457.51
Regular ADA Totals	3,408.40	3,422.26	3,408.40	3,422.26
Extended year special education:				
Grades TK/K through three	4.45	4.45	4.45	4.45
Grades four through six	3.46	3.46	3.46	3.46
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	7.27	7.66	7.27	7.66
Grades four through six	8.94	9.59	8.94	9.59
Extended year special education - nonpublic, nonsect schools:				
Grades TK/K through three	0.80	0.80	0.80	0.80
Grades four through six	1.04	1.04	1.04	1.04
ADA Totals	3,434.36	3,449.26	3,434.36	3,449.26
	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Santa Rosa High				
Regular ADA:				
Grades seven and eight	2,923.40	2,920.11	2,923.40	2,920.11
Grades nine through twelve	7,170.37	7,104.61	7,170.37	7,104.61
Regular ADA Totals	10,093.77	10,024.72	10,093.77	10,024.72
Extended year Special education				
Grades seven and eight	3.54	3.54	3.54	3.54
Grades nine through twelve	3.92	3.92	3.92	3.92
Special education - nonpublic, nonsect schools:				
Grades seven and eight	24.52	24.03	24.52	24.03
Grades nine through twelve	83.03	84.12	83.03	84.12
Extended year special education - nonpublic, nonsect schools:				
Grades seven and eight	1.16	1.16	1.16	1.16
Grades nine through twelve	6.77	6.77	6.77	6.77
ADA Totals	10,216.71	10,148.26	10,216.71	10,148.26

Continued

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	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	172.58	172.69	172.58	172.69
Grades four through six	143.85	143.89	143.85	143.89
Grades seven and eight	59.34	59.20	59.34	58.86
ADA Totals	<u>375.77</u>	<u>375.78</u>	<u>375.77</u>	<u>375.44</u>
Santa Rosa French American Charter				
Regular ADA:				
Grades TK/K through three	279.12	277.35	279.12	277.35
Grades four through six	160.09	159.18	160.09	159.18
ADA Totals	<u>439.21</u>	<u>436.53</u>	<u>439.21</u>	<u>436.53</u>
Cesar Chavez Language Academy				
Regular ADA:				
Grades TK/K through three	273.54	272.66	273.54	272.66
Grades four through six	78.70	78.35	78.70	78.35
ADA Totals	<u>352.24</u>	<u>351.01</u>	<u>352.24</u>	<u>351.01</u>
Santa Rosa Accelerated Charter				
Regular ADA:				
Grades four through six	123.47	123.74	123.47	123.74
ADA Totals	<u>123.47</u>	<u>123.74</u>	<u>123.47</u>	<u>123.74</u>

Concluded

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Grade Level	Minutes Requirements	2019 Actual Minutes	(Unaudited) 2019 Original Scheduled Minutes	Actual Number of Days Traditional Calendar	(Unaudited) Scheduled Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Santa Rosa Elementary							
Kindergarten	36,000	42,080	42,560	178	180	0	In compliance ⁽¹⁾
Grade 1	50,400	53,420	54,050	178	180	0	In compliance ⁽¹⁾
Grade 2	50,400	53,420	54,050	178	180	0	In compliance ⁽¹⁾
Grade 3	50,400	53,420	54,050	178	180	0	In compliance ⁽¹⁾
Grade 4	54,000	53,420	54,050	178	180	0	In compliance ⁽¹⁾
Grade 5	54,000	53,420	54,050	178	180	0	In compliance ⁽¹⁾
Grade 6	54,000	53,420	54,050	178	180	0	In compliance ⁽¹⁾
Santa Rosa High							
Grade 7	54,000	64,060	64,800	178	180	0	In compliance ⁽¹⁾
Grade 8	54,000	64,060	64,800	178	180	0	In compliance ⁽¹⁾
Grade 9	64,800	63,581	64,331	178	180	0	In compliance ⁽¹⁾
Grade 10	64,800	63,581	64,331	178	180	0	In compliance ⁽¹⁾
Grade 11	64,800	63,581	64,331	178	180	0	In compliance ⁽¹⁾
Grade 12	64,800	63,581	64,331	178	180	0	In compliance ⁽¹⁾
Santa Rosa Charter for the Arts							
Kindergarten	36,000	45,720	46,240	178	180	0	In compliance ⁽¹⁾
Grade 1	50,400	52,370	52,990	178	180	0	In compliance ⁽¹⁾
Grade 2	50,400	52,370	52,990	178	180	0	In compliance ⁽¹⁾
Grade 3	50,400	52,370	52,990	178	180	0	In compliance ⁽¹⁾
Grade 4	54,000	53,700	54,340	178	180	0	In compliance ⁽¹⁾
Grade 5	54,000	53,700	54,340	178	180	0	In compliance ⁽¹⁾
Grade 6	54,000	57,690	58,390	178	180	0	In compliance ⁽¹⁾
Grade 7	54,000	57,690	58,390	178	180	0	In compliance ⁽¹⁾
Grade 8	54,000	57,690	58,390	178	180	0	In compliance ⁽¹⁾
Santa Rosa Accelerated Charter							
Grade 5	54,000	53,810	54,450	178	180	0	In compliance ⁽¹⁾
Grade 6	54,000	53,810	54,450	178	180	0	In compliance ⁽¹⁾
Cesar Chavez Language Academy							
Kindergarten	36,000	43,050	43,540	178	180	0	In compliance ⁽¹⁾
Grade 1	50,400	53,448	54,090	178	180	0	In compliance ⁽¹⁾
Grade 2	50,400	53,448	54,090	178	180	0	In compliance ⁽¹⁾
Grade 3	50,400	53,448	54,090	178	180	0	In compliance ⁽¹⁾
Grade 4	54,000	53,448	54,090	178	180	0	In compliance ⁽¹⁾
Grade 5	54,000	53,448	54,090	178	180	0	In compliance ⁽¹⁾

Continued

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Grade Level	Minutes Requirements	2019 Actual Minutes	(Unaudited) 2019 Original Scheduled Minutes	Actual Number of Days Traditional Calendar	(Unaudited) Scheduled Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Santa Rosa French-American Charter School							
Kindergarten	36,000	50,844	51,424	178	180	0	In compliance ⁽¹⁾
Grade 1	50,400	53,394	54,004	178	180	0	In compliance ⁽¹⁾
Grade 2	50,400	53,394	54,004	178	180	0	In compliance ⁽¹⁾
Grade 3	50,400	53,394	54,004	178	180	0	In compliance ⁽¹⁾
Grade 4	54,000	53,394	54,004	178	180	0	In compliance ⁽¹⁾
Grade 5	54,000	53,394	54,004	178	180	0	In compliance ⁽¹⁾
Grade 6	54,000	53,394	54,004	178	180	0	In compliance ⁽¹⁾

(1) The District has an approved Form J-13A, Request for Allowance of Attendance Due to Emergency Conditions, for school closure due to California wild fires. Pursuant to Education Code section 41422, 46200, 46391, 46392 and the California Code of Regulations the approved Form J-13A combined with attendance records to document compliance with instructional time laws.

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.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has met or exceeded its target funding.

Concluded

SANTA ROSA CITY SCHOOLS
SCHEDULE OF CHARTER SCHOOLS (UNAUDITED)
JUNE 30, 2019

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, 2019

	(Budget ¹)			
	2020	2019	2018	2017
<u>General Fund</u>				
Revenues and other financial sources	\$ 178,577,175	\$ 191,646,267	\$ 177,036,718	\$ 172,516,668
Expenditures	183,716,274	185,353,447	174,782,537	175,138,086
Other uses and transfers (out)	138,790	359,865	70,977	301,669
Total outgo	183,855,064	185,713,312	174,853,514	175,439,755
Change in fund balance	(5,277,889)	5,932,955	2,183,204	(2,923,087)
Ending fund balance	\$ 26,092,585	\$ 31,370,474	\$ 25,437,519	\$ 23,254,315
Available reserves ⁽²⁾	\$ 19,301,990	\$ 19,617,567	\$ 15,173,016	\$ 14,836,861
Reserve for economic uncertainties	\$ 5,515,652	\$ 5,596,458	\$ 5,243,475	\$ 5,254,142
Unassigned fund balance	\$ 13,786,338	\$ 14,021,109	\$ 9,929,541	\$ 9,582,719
Available reserves as a percentage of total outgo	10.5%	10.6%	8.7%	8.5%
Total long-term liabilities	\$ 415,705,737	\$ 436,340,737	\$ 459,000,093	\$ 360,289,146
Average daily attendance at P-2	13,481	13,651	13,988	14,204

Average daily attendance has decreased by 553 over the last three years. The district anticipates a decrease of 170 in ADA.

The general fund balance has increased by \$8,116,159 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 surplus in two of the past three years. Total long-term liabilities has increased by \$76,051,591 over the past three years, due to new bond issuances, pension and OPEB obligations.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2019/20.

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, 2019

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		\$ -	\$ 33,385
Federal Impact Aid (ESSA Title VII - Formerly NCLB Title VIII)	84.041	10015	Yes	-	801,777
School Climate Transformation Grant	84.184G	N/A	Yes	-	1,248,696
Passed through California Department of Education:					
Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Voc. Ed.)	84.048	14894		-	123,158
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		-	2,643,990
ESEA (ESSA) School Improvement (CSI) Funding for LEAs	84.010	15438		-	6,000
ESEA (ESSA): Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		-	394,094
ESEA (ESSA) : Title III, Immigrant Student Program	84.365	15146		-	23,198
ESEA (ESSA): Title IV, Part A, Student Support and Academic Enrichment Grant Program	84.424	15391		-	694,327
Passed through Butte County Office of Education:					
ESEA (ESSA): Title I, Part C, Migrant Ed Mini Corps	84.011	14327		-	202,232
Passed through Sonoma County SELPA:					
<i>Special Education Cluster</i>					
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379		-	3,128,693
Special Ed: IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119		-	58,446
Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430		-	76,733
Special Ed: IDEA Mental Health Average Daily Attendance (ADA) Allocation	84.027A	15197		-	217,193
<i>Total Special Education Cluster</i>				-	3,481,065
TOTAL U. S. DEPARTMENT OF EDUCATION:					9,651,922
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	Yes	-	2,538,957
Child Nutrition: School Programs (NSL Sec 11) - Noncash Commodities	10.555	N/A	Yes	529,917	529,917
Child Nutrition: School Programs (School Breakfast Basic)	10.553	13525	Yes	-	795,168
<i>Total Child Nutrition Cluster</i>				529,917	3,864,042
TOTAL U.S. DEPARTMENT OF AGRICULTURE					529,917 3,864,042
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Passed through California Department of Health Services:					
<i>Medicaid Cluster</i>					
Unrestricted: Medi-Cal Administrative Activities (MAA)	93.778	10060		-	45,500
Dept of Health Care Services (DHCS): Medi-Cal Billing Option	93.778	10013		-	205,398
<i>Total Medicaid Cluster</i>				-	250,898
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					250,898
TOTAL EXPENDITURES				\$ 529,917	\$ 13,766,862

SANTA ROSA CITY SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2019 Annual Financial and Budget Report Fund Balances.	\$ 30,825,875	\$ 4,008,708	\$ 76,752,538	\$ 27,757,608	\$ 13,540,022
Adjustments to reconcile audited financials:					
Special Res Fund for Other Than Capital Outlay:					
Cash and investments and due from other funds	544,599	-	-	-	(544,599)
June 30, 2019 Audited Financial Statements Fund Balances	<u>\$ 31,370,474</u>	<u>\$ 4,008,708</u>	<u>\$ 76,752,538</u>	<u>\$ 27,757,608</u>	<u>\$ 12,995,423</u>

SANTA ROSA CITY SCHOOLS
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206 and whether the Charter Schools complied with Education Code Sections 47612 and 47612.5.

C. 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.

D. 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.

E. 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.

F. 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, 2019

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.

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, 2019, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated February 14, 2020.

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. We did identify a deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency: see finding 2019-001.



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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as findings 2019-002 through 2019-005.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

February 14, 2020
San Jose, 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items that we consider to be significant deficiencies: see findings 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items that we consider to be significant deficiencies: see findings 2019-002 and 2019-003.



The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

February 14, 2020
San Jose, California



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

Board of Education
Santa Rosa City Schools
Santa Rosa, California

Compliance

We have audited the Santa Rosa City Schools' (the District) compliance with the types of compliance requirements described in the *2018-19 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, 2019.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State’s audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit, guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

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:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes



Independent Study	Yes
Continuation Education	Yes
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
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
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
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No
Determination of Funding for Nonclassroom-Based Instruction	No
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Nonclassroom-Based Instruction/Independent Study for Charter Schools and Determination of Funding for Nonclassroom-Based Instruction because the ADA was under the level that requires testing.

Opinion

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, 2019.



Other Matter

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as findings 2019-004 and 2019-005.

District's Response to Findings

The District's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.

C & A LLP

February 14, 2020
San Jose, California

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FINDINGS AND
RECOMMENDATIONS

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? x Yes _____ None Reported

Non-compliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? x Yes _____ None Reported

Type of auditor's report issued on compliance over major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a) _____ Yes x No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.041	Federal Impact Aid (ESSA Title VII - Formerly NCLB Title VIII)
84.184G	School Climate Transformation Grant
10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee qualified as low risk auditee? _____ Yes x No

State Awards

Internal control over state programs:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? x Yes _____ None Reported

Type of auditor's report issued on compliance over state programs: Unmodified

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section II - Financial Statement Findings

Finding 2019-001: Capital Assets (20000)

Criteria: Generally accepted accounting principles (GAAP) and Education Code Section 35168 require the District to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.

Condition: We noted that there were completed projects still listed as construction in progress and that certain completed projects did not capture the full cost of the asset. Depreciation related to these assets was also unreliable. The errors noted were immaterial to the financial statements as a whole, but significant enough to be reported as a finding.

Effect: The District's capital asset balances could incorrectly include or exclude capital projects, buildings, improvements and depreciation related to these asset classes. In addition, capital assets are incorrectly classified between these categories.

Cause: The District hired a third party to inventory capital assets, but the reports produced by the inventory company did not include reconciled balances for construction in progress and buildings and improvements. It appears the District did not have the time needed to review, reconcile and compare the reports provided to internal records. District staff had expected construction in progress to be included in the reports.

Recommendation: We recommend the District ensure that internal control procedures are followed throughout the year to adequately track additions, deletions, completion of projects, and accumulated depreciation in the District's capital asset program. The District should review the asset valuation that was performed to ensure that it is accurate and that an up-to-date capital asset listing of all assets of \$5,000 is maintained throughout each fiscal year.

Corrective Action Plan: The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2019-20 to address the causes of the condition(s) noted, including but not limited to reconciling and monitoring the third party capital assets reports.

Section III - Federal Award Findings and Questioned Costs

Finding 2019-002; 50000 – Allowable Costs/Cost Principles – Supplanting with Title III & EIA-LEP

Federal Program Information: 84.365 - Title III, English Learner Student Program

Federal Grantor Agency: 84.365 – ESEA (ESSA): U.S. Department of Education

Pass-Through Grantor Agency: 84.365 - Special Education: California Department of Education

Criteria or Specific Requirements: Pursuant to *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Title III funds can only be used to supplement, not supplant federal, state, and local public funds that, in the absence of such availability, would have been expended for programs for English

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

learners and immigrant children and youth, and in no case to supplant such federal, state, and local public funds.

Condition: During the fiscal year, the District was chosen by the California Department of Education (CDE) to undergo a review of its Title III program as part of the CDE's federal program monitoring (FPM) process. The review resulted in findings related to supplanting with Title III and EIA-LEP federal funds. The FPM review noted the following requirements that were not met:

1. General fund resources must be used to provide services and programs for English learners, including English language development (ELD) and access to the core curriculum. The provision of such services and programs must not be contingent on the receipt of state or federal supplementary funds.
2. Each LEA must use EIA-LEP carryover funds only to supplement, not supplant federal, state and local public funds. (20 U.S.C. § 6825(9); EC§54025[c]: Castaneda v. Pickard (5th Cir. 1981) 648 F.2d 989, 1010, 1012-1013)
3. For LEAs with EIA-LEP carryover, an LEA must utilize no less than 85 percent of those apportionments at school sites for direct services to students. (EC §§ 63000[d], 63001)
4. Each LEA must use Title III funds only to supplement, not supplant federal, state, and local public funds that, in the absence of such availability, would have been expended for programs for English learners and immigrant children and youth and in no case to supplant such federal, state, and local public funds. (20 U.S.C. § 6825(9); Castaneda v. Pickard (5th Cir. 1981) 648 F.2d 989, 1010, 1012-1013)
5. The use of Title III funds must meet the following requirements:
 - a) An LEA utilizes no less than 98 percent of Title III EL apportionments on direct services to English Learners and may not use more than 2 percent of such funds for the administration of this program for a fiscal year. (20 U.S.C. § 6825[b])
 - b) An LEA assesses for reasonable Title III EL and immigrant alignment with the federal supplement, not supplant requirement. (20 U.S.C. § 6825(9); Castaneda v. Pickard (5th Cir. 1981) 648 F.2d 989, 1010, 1012-1013)

Questioned Costs: The net questioned costs related to this finding were \$452,471.

Context: The District should maintain controls to prevent noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

Effect: The District was not in compliance with Title III supplanting requirements and reversed \$452,471 in FY19 expenditures to unearned revenue. As a result of this audit, \$452,471 was reclassified from unearned revenue to accounts payable until allowable expenditures are incurred in FY20.

Cause: The District's grant monitoring controls were ineffective and District staff were not aware of Title III and EIA-LEP supplanting requirements.

Recommendation: We recommend that the District track federal grants by resource and CFDA and include items such as grant award, amount expended, general ledger account code, grant period,

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

supplanting requirements and other compliance requirements for each grant. This tracker should be shared with pertinent employees in each department and updated routinely during the year. This can be done as a part of the budgeting process as well.

Corrective Action Plan: The District agrees with the recommendations and will implement the recommended practices to ensure that incurred expenditures are allowable and supplement, rather than supplant federal funds, in order to be in compliance with Uniform Guidance for all federal programs.

Finding 2019-003; 50000 – Internal Controls over Compliance

Federal Program Information: 10.555 & 10553 - Child Nutrition Cluster

Federal Grantor Agency: 10.555 & 10553 - U.S. Department of Education

Pass-Through Grantor Agency: 10.555 & 10553 - California Department of Education

Criteria or Specific Requirements: Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements pursuant to *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Condition: We noted the following deficiencies in internal control over compliance:

- The District did not have proper documentation of the preparation and review of the paid lunch equity calculation prior to the school year starting to ensure proper compliance.
- The District did not document the proper review performed over basic claims prepared in the Child Nutrition Information and Payment System (CNIPS) submission. It was also noted that the manual rosters for the two non-district sites the District prepares Basic Claims for had reduced and free student statuses reversed, which resulted in incorrect Basic Claims being submitted for those two sites.
- The District does not have documentation indicating review of site applications by someone knowledgeable about the program.
- During our examination of the Child Nutrition program income, we noted that the contracts with other school districts to provide meals did not agree with amounts charged. We noted that the signed contracts with Mark West Union, Bellevue Union School District, Gavenstein Union School District, Piner-Olivet, and Sebastopol Union did not match the invoicing prices used to actually invoice because new rates were agreed upon without updated contracts.

Questioned Costs: The control deficiencies did not result in any material questioned costs.

Context: The District should maintain controls to reduce the risk of noncompliance and detect noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Effect: Insufficient internal controls over federal program compliance increases the risk of noncompliance with Uniform Guidance and the risk that material misstatements may exist in the financial statements.

Cause: Due to personnel changes, the District did not have sufficient staffing to ensure that controls over compliance were properly designed and operating as designed in relation to the Child Nutrition Program.

Recommendation: We recommend the District assign specific personnel to monitor the Child Nutrition Program's compliance with uniform guidance, especially in the areas noted to be deficient. This should be done at regular intervals during the year, not at the end of the year when it may be too late to identify and correct possible noncompliance.

Corrective Action Plan: The District agrees with the recommendations and will take measures to implement proper internal controls over compliance.

Section IV - State Award Findings and Questioned Costs

Finding 2019-004: Unduplicated Pupil Counts (40000) - Repeat of finding 2018-004

Criteria or Specific Requirements: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the EL students and the CALPADS reporting, we noted 8 out of 40 students tested were incorrectly classified as EL in CALPADS. During our testing of the FRM students and the CALPADS reporting, several students tested were noted as incorrectly classified as FRM in CALPADS because the correct status in the point of sale system was not loaded to CALPADS in a timely manner. As a result of our testing, we performed additional analytical procedures to test the entire population of FRM students. The results of our testing for EL and FRM students concluded that a total of 172 students were considered incorrectly listed as "unduplicated pupils" in CALPADS.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Questioned Costs: The dollar impact of this finding is as follows:

<u>School</u>	<u>Impact</u>
Abraham Lincoln Elementary	\$ 3,468
Helen M. Lehman Elementary	3,468
Hidden Valley Elementary	8,670
James Monroe Elementary	3,468
Luther Burbank Elementary	1,734
NPS School Group for Santa Rosa Elementary	1,734
Proctor Terrace Elementary	1,734
Steele Lane Elementary	5,202
Elsie Allen High	5,360
Herbert Slater Middle	6,432
Hilliard Comstock Middle	2,680
Lawrence Cook Middle	1,072
Maria Carrillo High	4,288
Montgomery High	12,864
Piner High	10,720
Ridgway High (Continuation)	9,648
Rincon Valley Middle	4,288
Santa Rosa High	7,504
Santa Rosa Middle	8,576
Cesar Chavez Language Academy	6,581
Santa Rosa Accelerated Charter	972
Santa Rosa Charter School for the Arts	1,486
Santa Rosa French-American Charter (SRFACS)	2,458
Total	<u>\$ 114,407</u>

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School	Per CALPADS Report	Adjustment	Adjusted Total
Abraham Lincoln Elementary	262	(2)	260
Helen M. Lehman Elementary	439	(2)	437
Hidden Valley Elementary	183	(5)	178
James Monroe Elementary	372	(2)	370
Luther Burbank Elementary	286	(1)	285
NPS School Group for Santa Rosa Elementary	10	(1)	9
Proctor Terrace Elementary	148	(1)	147
Steele Lane Elementary	351	(3)	348
Elsie Allen High	800	(10)	790
Herbert Slater Middle	373	(12)	361
Hilliard Comstock Middle	385	(5)	380
Lawrence Cook Middle	379	(2)	377
Maria Carrillo High	324	(8)	316
Montgomery High	679	(24)	655
Piner High	796	(20)	776
Ridgway High (Continuation)	191	(22)	169
Rincon Valley Middle	191	(8)	183
Santa Rosa High	773	(15)	758
Santa Rosa Middle	309	(16)	293
Cesar Chavez Language Academy	258	(3)	255
Santa Rosa Accelerated Charter	17	(2)	15
Santa Rosa Charter School for the Arts	159	(3)	156
Santa Rosa French-American Charter (SRFACS)	140	(5)	135
Total	7,825	(172)	7,653

No changes to enrollment were identified as a result of testing the unduplicated pupil counts.

Cause: The District did not properly review uploaded student information from the District’s system to CALPADS to ensure proper classification of EL and FRM status. In addition, the District did not review the CALPADS data for accuracy during the adjustment window annually.

Recommendation: The District upload student data into CALPADS in a timely manner and review CALPADS to ensure that the data was properly uploaded. Additionally, we recommend the District review all CALPADS data for accuracy during the adjustment window annually and establish a system of review that provide adequate oversight of this reporting process and ensures appropriate communication between the District Office and various sites.

Corrective Action Plan: The District agrees with the auditor’s recommendation and will implement policies and procedures during fiscal year 2019-20 to address the causes of the condition(s) noted.

**SANTA ROSA CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2019-005; 40000 – After School Education and Safety Program

Criteria: Education Code Section 8484 requires submission of program attendance data. Proper controls should be designed and implemented to ensure that the attendance reported on the semi-annual attendance reports are accurate.

Condition: During our testing of attendance for the after school education and safety program, we noted that the District was unable to provide written documentation for 37 students listed in attendance for the entire first half of the semi-annual attendance.

Effect: The District’s controls do not sufficiently limit risk of error related to attendance reporting for the after school education and safety program. There is no financial impact from the conditions noted since the program is not directly funded based upon attendance, however, a reduction in attendance may result in a future grant reduction. After extrapolating the results for the entire year, the total effect on the attendance reported is as follow:

113,080	Total annual attendance reported Elementary and Secondary
<u>(3,799)</u>	Less overstatement of attendance for missing written support
<u><u>109,281</u></u>	Adjusted annual attendance

Questioned Costs: None

Cause: The District does not have proper policies and procedures in place in order to ensure accurate reporting of attendance for the after school education and safety program.

Recommendation: We recommend that the District establish policies and procedures to ensure that all sites have written support for student attendance.

Corrective Action Plan: The District agrees with the auditor’s recommendation and has already changed its program service provider beginning fiscal year 2019-20 to address the causes of the condition(s) noted.

**SANTA ROSA CITY SCHOOLS
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section II - Financial Statement Findings

Finding 2018-001: Capital Assets (20000) - Repeat of finding 2017-001

Criteria: Generally accepted accounting principles (GAAP) and Education Code Section 35168 require the District to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.

Condition: During the audit of the District's capital assets we noted deficiencies in the District's Process to maintain the capital asset listing as it relates to additions, deletions, completion of projects (construction in progress to depreciable asset) and accumulated depreciation.

Effect: The District's capital asset balance could incorrectly include or exclude capital assets. As well as incorrect calculations of depreciation expense.

Cause: Due to the high degree of personnel turnover and the limited District staffing, the District has been unable to oversee the tracking of capital assets throughout the year.

Recommendation: We recommend the District ensure that internal control procedures are followed throughout the year to adequately track additions, deletions, completion of projects, and accumulated depreciation in the District's capital asset program. The District should investigate the need for additional staffing or training in the Business Office and ensure that an up-to-date capital asset listing of all assets of \$5,000 is maintained throughout each fiscal year.

Corrective Action Plan: The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2018-19 to address the causes of the condition(s) noted.

Status: Not implemented. See finding 2019-01

Finding 2018-002: Accounts Payable Accrual (30000) - Repeat of finding 2017-002

Criteria: According to General Accepted Accounting Principles (GAAP) all expenses should be recognized when incurred.

Condition: During our testwork over the District's accounts payable, we noted that the District was incorrectly excluding some invoices for work prior to June 30, 2018.

Effect: The accounts payable was understated by \$4,819,986.

Cause: The District was not adequately overseeing the accrual process at year end.

Recommendation: We recommend the District review the process of accounts payable with staff.

Corrective Action Plan: The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2018-19 to address the causes of the condition(s) noted.

Status: Implemented.

**SANTA ROSA CITY SCHOOLS
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2018-003: Journal Entry Support (30000)

Criteria: In order to facilitate proper and efficient review of journal entries by someone other than the person preparing the journal entry, the journal entry should include all supporting documentation needed for review. The documentation should be kept with the journal entry for future reference and review.

Condition: The District did not have the supporting documentation immediately available for journal entries posted to categorize allowable expenditures from unrestricted to restricted resources.

Effect: The District had to spend a substantial amount of time locating proper support for journal entries sampled during our audit. If the support is not readily available and filed with the journal entry, it increases the risk that a state or federal agency will disallow the costs included in the journal entry. There were no questioned costs associated with this deficiency based on the procedures we performed.

Cause: The District received additional funding during the year and recorded journal entries to categorize allowable expenditures from unrestricted resources to restricted resources. It appeared the District was short staffed when the entries were posted, causing time constraints. Thus, support that had been reviewed electronically when the entries were posted was not filed with the journal entries and not immediately available during the audit. District staff was able to provide the support once they had time to locate the files.

Recommendation: We recommend the District maintain all relevant support with journal entries to facilitate review and ensure timeliness when journal entries are requested for examination. This will reduce the risk that expenditures will be deemed unallowable by granting agencies.

Corrective Action Plan: The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2018-19 to address the causes of the condition(s) noted.

Status: Implemented

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

Finding 2018-004: Unduplicated Pupil Counts (40000) - Repeat of finding 2017-005

Criteria or Specific Requirements: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

**SANTA ROSA CITY SCHOOLS
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FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Condition: During our testing of the EL students and the CALPADS reporting, we noted 3 out of 40 students tested were incorrectly classified as EL in CALPADS. After expanding the sample to include all students with discrepancies between the District’s internal student system and CALPADS for EL status, we noted a total of 94 students were incorrectly accounted for in CALPADS as EL students. Of the 94 students, 51 of those students were correctly listed as FRPM, leaving a total of 43 students considered incorrectly listed as “unduplicated pupils” in CALPADS.

Questioned Costs: The dollar impact of this finding is as follows:

<u>School</u>	<u>Impact</u>
Elsie Allen High School	\$ 1,712
Piner High School	3,638
Montgomery High School	2,996
Santa Rosa High School	<u>856</u>
Total	<u>\$ 9,202</u>

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

<u>School</u>	<u>Per CALPADS Report</u>	<u>Adjustment</u>	<u>Adjusted Total</u>
Elsie Allen High School	787	(8)	779
Piner High School	885	(17)	868
Montgomery High School	701	(14)	687
Santa Rosa High School	845	(4)	841

No changes to enrollment were identified as a result of testing the unduplicated pupil counts.

Cause: The District did not properly review errors in the upload from the District’s system to CALPADS and students transferred from other District to ensure proper classification of EL status. In addition, the District did not review the CALPADS data for accuracy during the adjustment window annually.

Recommendation: The District carefully review all errors during data uploads to CALPADS as well as pay close attention to students transferring in from other Districts to ensure students are properly classified in CALPADS during transfer. In addition we recommend the District review all CALPADS data for accuracy during the adjustment window annually and establish a system of review that provide adequate oversight of this reporting process and ensures appropriate communication between the District Office and various sites.

Corrective Action Plan: The District agrees with the auditor’s recommendation and will implement policies and procedures during fiscal year 2018-19 to address the causes of the condition(s) noted.

Status: Not implemented. See finding 2019-04

**SANTA ROSA CITY SCHOOLS
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2018-005: Instructional Materials (70000)

Criteria or Specific Requirements: California Education Code section 60119 requires the governing board to hold a public hearing or hearings at which the governing board shall encourage participation by parents, teachers, members of the community interest in the affairs of the school district, and bargaining unit leaders for the purpose of making a determination of the sufficiency of the District's textbooks or instructional materials or both. The District is required to hold the public hearing on or before the end of the eighth week from the first day pupils attend school for the year.

Condition: The first day of school was August 15, 2017. The eighth week of school was the week of October 2, 2017 however the District held the meeting the ninth week of school on October 11, 2017.

Questioned Costs: None

Effect: The District did not provide sufficient time for changes to be implemented if needed.

Cause: The District is not in compliance with California Education Code section 60119.

Recommendation: The District should review over California Education Code section 60119 to ensure all requirements are followed in the future.

Corrective Action Plan: The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2018-19 to address the causes of the condition(s) noted.

Status: Implemented