

SANTA ROSA CITY SCHOOLS
PROPOSITION 39/MEASURE L BOND

AUDIT REPORT

For the Year Ended June 30, 2017

* * *



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

**SANTA ROSA CITY SCHOOLS
PROPOSITION 39/MEASURE L BOND
For the Year Fiscal Ended June 30, 2017**

Table of Contents

	<u>Page No.</u>
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 2
Program Statements:	
Statement of Expenditures	3
Notes to Program Statements.....	4 - 5
Schedule of Findings and Recommendations	6
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 <i>Government Auditing Standards</i>	7 - 8
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on the Measure L Bond Program	9 - 10

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Program Statements

We have audited the accompanying Proposition 39/Measure L Bond program statements of the Santa Rosa City Schools, as of and for the year ended June 30, 2017.

Management's Responsibility for the Program Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 program statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the program statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the program 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 entity'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 program statements.

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



Opinion

In our opinion, the program statements referred to above present fairly, in all material respects, the expenditures for the Proposition 39/Measure L Bond proceeds during the period audited.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated January 31, 2018 on our consideration of the Proposition 39/Measure L Bond of Santa Rosa City Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Santa Rosa City Schools' internal control over financial reporting and compliance.

C & A LLP

January 31, 2018
San Jose, California

PROGRAM STATEMENTS

**SANTA ROSA CITY SCHOOLS
PROPOSITION 39/MEASURE L BOND
Statement of Expenditures
For the Fiscal Year Ended June 30, 2017**

Site	Object	Total
Biella	Capital Outlay	\$ 504,492
	Services	19,557
Biella Total		524,049
Charter School For The Arts	Capital Outlay	1,553,878
	Classified Benefits	1,431
	Classified Salaries	8,831
	Services	109,113
	Supplies	33,525
Charter School For The Arts Total		1,706,778
Elementary District Wide	Capital Outlay	303,552
	Services	3,188,596
	Supplies	74,214
Elementary District Wide Total		3,566,362
Elementary For Asst Sup Busins	Classified Benefits	2,180
	Classified Salaries	10,283
Elementary For Asst Sup Busins Total		12,463
Elementary For Director Dp	Classified Benefits	8,240
	Classified Salaries	33,314
	Services	136
Elementary For Director Dp Total		41,690
Hidden Valley	Capital Outlay	171,053
	Services	2,257
Hidden Valley Total		173,310
Hope Academy	Capital Outlay	40,560
Hope Academy Total		40,560
SR French American Charter	Services	4,302
SR French American Charter Total		4,302
Grand Total		\$ 6,069,514

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

**SANTA ROSA CITY SCHOOLS
PROPOSITION 39/MEASURE L BOND
Notes to Program Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 1 - THE PROGRAM

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

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

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

NOTE 2 - CITIZEN'S OVERSIGHT COMMITTEE

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

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

The Committee was formed by the Board of Trustees and met throughout the year. The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2017:

Name	Position	Term Expires
Kristin Hendricks	Parent or Guardian active PTO	2020
Jessica Rasmussen	Parent or Guardian	2020
Christopher Nelle	At Large	2019
Judith O'Donnell	Parent or Guardian active PTO	2019
Mike Behlar	Business Organization	2020
Vacant	Senior Citizen's Organization	-
Vacant	Taxpayer's Organization	-
Vacant	At Large	-

SANTA ROSA CITY SCHOOLS
PROPOSITION 39/MEASURE L BOND
Notes to Program Statements
For the Fiscal Year Ended June 30, 2017

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of accounting utilized in preparation of this report may differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying program statement is not intended to present the financial position and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Revenue and expenditures incurred for Proposition 39/Measure L Bond proceeds are recorded on an accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when it is earned, not when the payment is received. Similarly, expenses are recognized when they are incurred, not when they are paid.

NOTE 4 - MEASURE L GENERAL OBLIGATION BOND

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) included a premium of \$883,290.

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

**SANTA ROSA CITY SCHOOLS
PROPOSITION 39/MEASURE L BOND
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2017**

**** No findings or exceptions noted ****

**OTHER INDEPENDENT
AUDITOR'S REPORTS**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying Proposition 39/Measure L Bond program statements of the Santa Rosa City Schools as of and for the year ended June 30, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Proposition 39/Measure L Bond of Santa Rosa City Schools' program 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 program statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests



disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

January 31, 2018
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE
MEASURE L BOND PROGRAM**

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

Compliance

We have audited Santa Rosa City School District's (the District) compliance with Proposition 39/Measure L Bond of the November 4, 2014 presidential primary election, as approved under Proposition 39, and with the performance requirements referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the laws and regulations identified above based on our audit. We conducted our audit of compliance 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 noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the laws and regulations have 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. The following summarizes specific procedures performed during our audit, but is not intended to be an all-inclusive list:

1. We verified that bond proceeds were deposited in the District's name and invested in accordance with applicable legal requirements.
2. We tested payments made to the architectural service companies and reviewed the terms of the contract.
3. We tested approximately 83% of the 2016-17 expenditures to ensure they were valid, allowable and accurate.
4. We selected one vendor, and verified that the District followed California Uniform Public Construction Cost Accounting Commission for the projects or services awarded, if applicable, and that their invoices were allowable within the bond and approved by the board prior to payment.

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.



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 the Proposition 39/Measure L Bond program for the fiscal year ended June 30, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the standards referred to above. Accordingly, this report is not suitable for any other purpose.

C & A LLP

January 31, 2018
San Jose, California