

**TRACY UNIFIED SCHOOL DISTRICT
SAN JOAQUIN COUNTY
TRACY, CALIFORNIA**

BUILDING FUND - MEASURE S

FINANCIAL AUDIT

JUNE 30, 2017

**TRACY UNIFIED SCHOOL DISTRICT
BUILDING FUND - MEASURE S
FINANCIAL AUDIT
JUNE 30, 2017**

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Citizens' Oversight Committee
Tracy Unified School District
Tracy, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Building Fund - Measure S of the Tracy Unified School District as of and for the year ended June 30, 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 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 financial statements.

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

Board of Trustees and
Citizens' Oversight Committee
Tracy Unified School District
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund - Measure S of the Tracy Unified School District, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Building Fund - Measure S and do not purport to, and do not, present fairly the financial position of the Tracy Unified School District, as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2018 on our consideration of the District's internal control over the Building Fund - Measure S financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Building Fund - Measure S 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 the Building Fund - Measure S financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 2, 2018

TRACY UNIFIED SCHOOL DISTRICT

BUILDING FUND - MEASURE S

BALANCE SHEET

JUNE 30, 2017

Assets

Accounts Receivable

Interest

\$ 286

Due from County School Facilities Fund

22,888

Total Assets

\$ 23,174

Liabilities and Fund Balance

Liabilities:

Due to County School Facilities Fund

\$ 23,174

Fund Balance:

Restricted:

Restricted for Measure S Projects

0

Total Liabilities and Fund Balance

\$ 23,174

TRACY UNIFIED SCHOOL DISTRICT
BUILDING FUND - MEASURE S
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>
<u>Revenues</u>		
Interest Revenue	\$ 5,000	\$ 14,161
<u>Expenditures</u>		
<i>District-Wide:</i>		
Measure S Related Administrative Costs	20,000	20,000
<i>South / West Park Elementary School:</i>		
Modernization	4,207,112	4,207,112
<i>Clover School - Tracy Learning Center:</i>		
Modernization	742,999	742,999
<i>Central Elementary School:</i>		
Modernization	86,761	86,761
Total Expenditures	<u>5,056,872</u>	<u>5,056,872</u>
Net Changes in Fund Balance	<u>\$ (5,051,872)</u>	(5,042,711)
Fund Balance - July 1, 2016		<u>5,042,711</u>
Fund Balance - June 30, 2017		<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TRACY UNIFIED SCHOOL DISTRICT
BUILDING FUND - MEASURE S
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

On the November 4, 2008, general election, the registered voters of the District approved Measure S, which authorizes the District to issue up to \$43,100,000 in general obligation bonds to finance the renovation, construction, and improvement of school facilities. Subsequently, an advisory committee to the District's Governing Board and Superintendent, the Measure S Citizen's Bond Oversight Committee was established. The Committee's oversight goals include: informing the public concerning the expenditures of bond proceeds, ensuring that the bond proceeds are expended only for the purposes described in the Measure S ballot language, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenditures.

The bond proceeds are accounted for in the Building Fund of the District, where they are expended for approved projects. These financial statements are presented solely for the Building Fund - Measure S and are not intended to be a complete presentation of the District's financial position or results of operations.

B. Accounting Policies

Tracy Unified School District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

The Building Fund - Measure S of the District is a governmental fund reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) of current financial resources. Under the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and become available and expenditures are generally recognized in the accounting period in which the related fund liability is incurred.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds.

TRACY UNIFIED SCHOOL DISTRICT
BUILDING FUND - MEASURE S
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

D. Budgets and Budgetary Accounting (Concluded)

The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Use of Estimates

The preparation 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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

F. Encumbrances

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

NOTE 2 - GENERAL OBLIGATION BONDS

On the November 4, 2008, general election, the registered voters of the District approved Measure S, which authorizes the District to issue up to \$43,100,000 in general obligation bonds to finance the renovation, construction, and improvement of school facilities.

On May 5, 2009, the District issued general obligation bonds in the amount of \$12,000,000 (Series 2009), on May 11, 2011, the District issued general obligation bonds in the amounts of \$16,000,000 (Series 2011A) and \$5,999,637 (Series 2011B), and on July 9, 2015, the District issued general obligation bonds for the remaining balance of the 2008 Authorization, in the amount of \$9,100,000 (Series 2015).

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Building Fund - Measure S of the District.

NOTE 4 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through January 2, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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 and
Citizens' Oversight Committee
Tracy Unified School District
Tracy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Building Fund - Measure S of Tracy Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 2, 2018.

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

Board of Trustees and
Citizens' Oversight Committee
Tracy Unified School District
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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 2, 2018

FINDINGS AND RECOMMENDATIONS SECTION

**TRACY UNIFIED SCHOOL DISTRICT
BUILDING FUND - MEASURE S
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

There are no matters to report for the fiscal year ended June 30, 2017.

**TRACY UNIFIED SCHOOL DISTRICT
BUILDING FUND - MEASURE S
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

There were no matters reported for the prior fiscal year.