

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Central Unified School District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of Central Unified School District (the "District") Measure C General Obligation Bonds (the "Bonds") activity, as of and for the period November 8, 2016 to 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 of America. 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Unified School District Measure C General Obligation Bonds activity as of June 30, 2017, and the changes in financial position thereof for the period November 8, 2016 to June 30, 2017, 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 the financial activity and balances of the Measure C General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of Central Unified School District, as of June 30, 2017 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018 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 for the Measure C General Obligation Bond activity. 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 for the Measure C General Obligation Bond activity. 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 for the Measure C General Obligation Bond activity.


Crowe Horwath LLP

Sacramento, California
January 19, 2018

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2017

ASSETS

Cash in County Treasury (Note 2)	\$ 24,777,995
Receivables	<u>96,156</u>
Total assets	<u><u>\$ 24,874,151</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 2,800
Fund balance:	
Fund balance – restricted (Note 3)	<u>24,871,351</u>
Total liabilities and fund balance	<u><u>\$ 24,874,151</u></u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Period November 8, 2016 to June 30, 2017

Revenues:	
Interest Income	\$ 101,569
Expenditures:	
Current:	
Contract services and operating expenditures	227,318
Capital outlay	<u>2,900</u>
Total expenditures	<u>230,218</u>
Other financing sources:	
Proceeds from sale of bonds	<u>25,000,000</u>
Change in fund balance	24,871,351
Fund balance, November 8, 2016	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 24,871,351</u>

See accompanying notes to financial statements.

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Central Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure C General Obligation Bonds, only. These financial statements are not intended to present the financial position and results of operations of Central Unified School District as a whole.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The basic financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the District's Board of Trustees 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 Board of Trustees satisfied these requirements.

The District's Board of Trustees and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents: For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Fresno County Treasury are considered cash equivalents.

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 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. Actual results could differ from those estimates.

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.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of \$24,777,995 held in the County Treasury investment pool.

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Fresno County Treasurer's Pooled Investment Fund. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the Pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Fresno County Treasury may invest in derivative securities with the State of California. However, at June 30, 2017 the Fresno County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Interest Rate Risk: The District does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

NOTE 3 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Measure C General Obligation Bonds is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 4 – PURPOSE OF BOND ISSUANCE

Bond Authorization: At least 55% of the registered voters voting on the proposition ("Measure C") at the election held on November 8, 2016 approved bond Measure C. The passing of Measure C proposition reauthorized Central Unified School District the issuance of Measure B bonds in the aggregate principal amount of \$87,300,000.

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – PURPOSE OF BOND ISSUANCE (Continued)

Purpose of Bonds: The proceeds of the Bonds may be used:

On November 8, 2016, the electorate of Central Unified School District reauthorized the issuance of Measure B bonds in the aggregate principal amount of \$87,300,000, with greater than 55% of the votes in favor. A summary of the text of the ballot language was as follows:

"To continue renovating, constructing and equipping existing classrooms/school facilities, building a new high school and elementary school, and to be eligible for State matching funds, shall \$87,300,000 of Central Unified School District bonds, an amount previously approved by voters in 2008, be reauthorized through issuance of new bonds, with no increase in total authorized District debt, interest rates within legal limits, annual audits, citizen oversight, all funds spent on local schools and no money for administrator salaries?"

The District's Board of Trustees developed the following Bond Project List for the General Obligation Measure C Bond:

All School and District Sites

Modernization, renovation, expansion, acquisition, construction, rehabilitation, and/or replacement of school facilities of the Central Unified School District, including the furnishing and equipping of such school facilities.

New High School

Construct, equip and furnish classrooms, support facilities, and gymnasium, and all related site improvements and infrastructure.

Tilley Elementary School

- Construct, equip and furnish a permanent facility
- Related site improvements and infrastructure

Madison Elementary School

- Renovate existing classrooms
- Make ADA improvements
- Upgrade electrical system

Roosevelt Elementary School

- Renovate existing classrooms
- Upgrade fire alarm system
- Install/replace HVAC system
- Upgrade electrical system and lighting
- Make ADA improvements

McKinley Elementary School

- Renovate existing classrooms
- Make ADA improvements
- Replace roofs

(Continued)

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – PURPOSE OF BOND ISSUANCE (Continued)

New Elementary School

- Construct, equip, and furnish a new elementary school

Herndon-Barstow Elementary

- Renovate existing classrooms
- Upgrade fire alarm system
- Upgrade electrical system
- Improve sewer, water and gas service
- Make ADA improvements
- Install/replace HVAC system

Support Services

Relocate maintenance and operations support services off of existing school sites and construct new facility and related site improvements.

The above listing does not suggest any particular priority for construction amongst the proposed projects.

All bond expenditures are subject to review by a Citizens' Oversight Committee which reports to the public, as required by Education Code Section 15278 *et seq.*

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District, and Fresno County is obligated to levy ad valorem taxes for the payment of and interest on, the principal of the bonds. The Bond Interest Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

Measure C:

In March 2017, the District issued General Obligation Bonds in a total amount of \$25,000,000 of Series A 2016 Election, Series A "GO Reauthorization Bonds" to finance the replacement and upgrading of school facilities.

The financial activity related to the General Obligation Bonds of ("Measure C") is recorded within the District's Fund 21 (Building Fund).

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

Members of the Board of Trustees
Central Unified School District
Fresno, 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 Central Unified School District (the "District") Measure C General Obligation Bonds (the "Bonds") activity, for the period November 8, 2016 to June 30, 2017, and related notes to the financial statements and have issued our report thereon dated January 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Unified School District's internal control over Measure C General Obligation Bond activity 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 Central Unified School District's internal control. Accordingly, we do not express an opinion of the effectiveness of Central Unified School 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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Unified School District Measure C General Obligation Bond activity financial statements are free of material misstatement, we performed tests of the District's 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

This purpose of this report is intended solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California
January 19, 2018

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For the Period November 8, 2016 to June 30, 2017

No matters were reported.

CENTRAL UNIFIED SCHOOL DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Period November 8, 2016 to June 30, 2017

Not applicable, this is the first year audit of the measure.