



MATSON  
& ISOM

CHICO UNIFIED SCHOOL DISTRICT

**County of Butte  
Chico, California**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Chico Unified School District  
Chico, 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 Chico Unified School District (the District) as of and for the year ended June 30, 2014, 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***

The District's 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.

### ***Auditors' 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 auditors' 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, 2014; 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.

## **INDEPENDENT AUDITORS' REPORT**

Continued

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison schedules 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.

#### *Other 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 accompanying supplementary information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been 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 accompanying other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, 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.

*Matson and Isom*

December 12, 2014  
Chico, California

**FINANCIAL SECTION**

**Required Supplementary Information**

**INTRODUCTION**

This section of the Chico Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the independent auditors' reports presented and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net position and statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities provide information about how District services were financed in the short term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds.

**FINANCIAL HIGHLIGHTS**

- Total net position was \$105,658,996 at June 30, 2014. This was an increase of \$6,725,277 over the prior year.
- Overall revenues were \$126,787,813, total current-year revenues exceeded expenses by \$6,725,277.
- Capital assets, net of depreciation, increased by \$12,226,768 primarily due to the completion of the Yale classroom building at Pleasant Valley High School and the Lincoln Hall at Chico High School.
- Long-term debt decreased by \$2,859,095 primarily due to the payments on the general obligation bonds.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2013-14, General Fund expenditures and other financing uses totaled \$104,902,479. At June 30, 2014, the District has available reserves of \$5,667,309 in the General Fund, which represents a reserve of 5.4%.



**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives.

*Government-Wide Financial Statements:* Comprise the first two statements; both provide short-term and long-term information about the District's overall financial position.

*Fund Financial Statements:* Focus on reporting the individual parts of the District's operations in more detail.

- Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
- Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**OVERVIEW OF THE FINANCIAL STATEMENTS****Government-Wide Financial Statements**

The District as a whole is reported in the government-wide financial statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the statement of net position. The statement of activities reports all of the current-year's revenues and expenses, regardless of when cash is received or paid. The District's financial health or position (net position) can be measured by the differences between the District's assets and liabilities.

- Increases or decreases in the net position of the District, over time, are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District, need to be considered in assessing the overall health of the District.

In the statement of net position and the statement of activities, the District is divided into two kinds of activities:

*Governmental Activities:* The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

*Business-Type Activities:* The District does not provide any services that should be included in this category.

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by state law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

### **Governmental Funds**

The General, Cafeteria Special Revenue, Building, Capital Facilities, and County School Facilities Funds represent the major governmental funds of the District. Governmental fund reporting focuses on how money flows into and out of the funds and balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

### **Fiduciary Funds**

For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$105,658,996 for the fiscal year ended June 30, 2014. Restricted net position is reported separately if they are not available for day-to-day operations or their use is constrained to a particular purpose by statutes, rules or other entities with authority over the District.

	<b>Governmental Activities</b>		<b>Percentage Change 2013-14</b>
	<b>2013</b>	<b>2014</b>	
<b>ASSETS</b>			
Cash and investments	\$ 51,339,487 *	\$ 52,171,385	1.6%
Accounts receivable	18,729,342	10,900,826	-41.8%
Inventories and other assets	1,310,311	1,728,728	31.9%
Capital assets - net of accumulated depreciation	<u>104,795,664</u>	<u>117,022,432</u>	11.7%
<b>Total Assets</b>	<u>176,174,804</u>	<u>181,823,371</u>	3.2%
Deferred loss on refunding	<u>43,906</u>	<u>40,995</u>	-6.6%
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	7,897,319	9,676,793	22.5%
Long-term debt	<u>69,387,672</u>	<u>66,528,577</u>	-4.1%
<b>Total Liabilities</b>	<u>77,284,991</u>	<u>76,205,370</u>	-1.4%
<b>NET POSITION</b>			
Net investment in capital assets	52,640,588	64,593,106	22.7%
Restricted	47,676,121	43,764,477	-8.2%
Unrestricted	<u>(1,382,990) *</u>	<u>(2,698,587)</u>	95.1%
<b>Total Net Position</b>	<u>\$ 98,933,719</u>	<u>\$ 105,658,996</u>	6.8%

\* Restated for prior-period adjustment as of June 30, 2013.

June 30, 2014

**Change in Net Position**

The following table summarizes the change in net position for the District. Revenues exceeded the District's expenses for the year by \$6,725,277. The District's expenses are primarily related to educating and caring for students and make up 82.8% of all expenses. Administrative activities of the District account for 6.0% of the total costs. The increase in expenses is related to statutory increases to salaries and benefits per collective bargaining agreements, increases to health and welfare insurance premiums, and increases in heat and power costs.

	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2013</b>	<b>2014</b>	<b>Change 2013-14</b>
<b>REVENUES</b>			
<b>PROGRAM REVENUES</b>			
Charges for services	\$ 532,790	\$ 1,254,998	135.6%
Operating grants and contributions	27,766,800	25,069,265	-9.7%
Capital grants and contributions	108,658	-	-100.0%
<b>GENERAL REVENUES</b>			
Property taxes	31,633,199	38,738,987	22.5%
Federal and state aid not restricted	51,027,843	58,396,440	14.4%
Interest and investment earnings	(346,870)	636,628	283.5%
Miscellaneous	2,976,733	2,691,495	-9.6%
<b>Total Revenues</b>	<b>113,699,153</b>	<b>126,787,813</b>	<b>11.5%</b>
<b>EXPENSES</b>			
Instruction	73,617,348 *	74,221,667	0.8%
Instruction-related services	9,622,837	10,310,147	7.1%
Pupil services	14,537,135	14,913,326	2.6%
General administration	7,040,545	7,242,689	2.9%
Plant services	7,705,280	9,541,737	23.8%
Ancillary services	410,206	504,544	23.0%
Community services	15,059	18,644	23.8%
Enterprise activities	34,609	83,224	140.5%
Other outgo	3,530,761	3,226,558	-8.6%
<b>Total Expenses</b>	<b>116,513,780</b>	<b>120,062,536</b>	<b>3.0%</b>
<b>Change in Net Position</b>	<b>\$ (2,814,627)</b>	<b>\$ 6,725,277</b>	<b>338.9%</b>

\* Restated for prior-period adjustment as of June 30, 2013.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2014

*Chico Unified School District*

The table below represents the cost of major District activities. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District’s general revenues.

	<b>Total Cost of Services</b>		<b>Percentage</b>
	<b>2013</b>	<b>2014</b>	<b>Change</b>
			<b>2013-14</b>
Instruction	\$ 73,617,348 *	\$ 74,221,667	0.8%
Instruction-related services	9,622,837	10,310,147	7.1%
Pupil services	14,537,135	14,913,326	2.6%
General administration	7,040,545	7,242,689	2.9%
Plant services	7,705,280	9,541,737	23.8%
Ancillary services	410,206	504,544	23.0%
Community services	15,059	18,644	23.8%
Enterprise activities	34,609	83,224	140.5%
Other outgo	3,530,761	3,226,558	-8.6%
<b>Total</b>	<b>\$ 116,513,780</b>	<b>\$ 120,062,536</b>	<b>3.0%</b>

\* Restated for prior-period adjustment as of June 30, 2013.

	<b>Net Cost of Services</b>		<b>Percentage</b>
	<b>2013</b>	<b>2014</b>	<b>Change</b>
			<b>2013-14</b>
Instruction	\$ 55,303,019 *	\$ 59,415,668	7.4%
Instruction-related services	8,607,807	8,946,608	3.9%
Pupil services	7,045,252	8,592,842	22.0%
General administration	5,722,798	3,957,698	-30.8%
Plant services	7,682,558	9,316,131	21.3%
Ancillary services	379,341	417,816	10.1%
Community services	15,059	18,644	23.8%
Enterprise activities	34,609	83,224	140.5%
Other outgo	3,315,089	2,989,642	-9.8%
<b>Total</b>	<b>\$ 88,105,532</b>	<b>\$ 93,738,273</b>	<b>6.4%</b>

\* Restated for prior-period adjustment as of June 30, 2013.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Governmental Funds**

The District's governmental funds reported a combined fund balance of \$54,981,257, a decrease of \$8,307,862 from the previous year. Following is a summary of the District's fund balances.

	<b>Fund Balance</b>		<b>Increase</b>
	<b>2013</b>	<b>2014</b>	<b>(Decrease)</b>
General	\$ 16,867,235 *	\$ 14,076,674	\$ (2,790,561)
Charter schools	946,803	1,000,873	54,070
Building	15,752,939	12,904,885	(2,848,054)
Capital facilities	12,225,681	12,995,221	769,540
County school facilities	11,088,378	6,452,499	(4,635,879)
Special reserve capital projects	1,876,376	1,484,209	(392,167)
Bond interest and redemption	4,287,829	5,819,827	1,531,998
Debt service	243,878	247,069	3,191
<b>Total</b>	<b>\$ 63,289,119</b>	<b>\$ 54,981,257</b>	<b>\$ (8,307,862)</b>

\* Restated for prior-period adjustment as of June 30, 2013.

The General Fund decrease is due primarily to current-year expenditures exceeding current-year revenues.

The Building Fund decrease is due to spending down of the \$15,000,000 bond issuance (Measure E) from 2012-13 on facility projects.

The Capital Facilities Fund increase is due to the collection of developer fees to be spent in future years.

The County School Facilities Fund decrease is due to expenditures related to the completion of the Lincoln Hall at Chico High School and the Yale building at Pleasant Valley High School.

The Special Reserve Capital Projects Fund decrease is due to expenditures related to the Bidwell Junior High School and McManus Elementary sewer projects.

The Bond Interest and Redemption Fund increase is due to the advanced tax collections for the required debt service payments in the following fiscal year related to the general obligation bonds.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on the Governor’s May Revise. Not later than 45 days after the state budget is adopted, school districts are required to make available for public review any revisions in revenues and expenditures that it makes to its budget to reflect the funding made available by the state budget. In addition, the District revises its budget at the first and second interim reporting periods. When comparing actual values to budgeted values, actual revenues were less than budget by \$327,599 and actual expenditures were less than budget by \$967,814. The budget amendments for the year typically fell into the following categories:

- Final local control funding formula calculation resulted in less funding than anticipated.
- Actual state and federal revenues varied from budgeted amounts as a result of prior-year adjustments.
- Restricted programs are fully budgeted to be spent even though they continue to have carryover and advances from grantors.

**CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION**

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long-term debt.

**Capital Assets**

The District invested \$16,828,005 in capital assets including land, buildings and improvements, and equipment and vehicles during the 2013-14 fiscal year. The District also enhanced technology infrastructure. The District completed construction on the Chico High School dining commons and the Yale building at Pleasant Valley High School.

	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2013</b>	<b>2014</b>	<b>Change</b>
			<b>2013-14</b>
Land	\$ 11,825,696	\$ 11,825,696	0.0%
Construction in progress	16,192,656	27,670,189	70.9%
Site improvements	8,116,602	8,293,190	2.2%
Buildings	135,061,219	138,148,700	2.3%
Equipment and vehicles	5,512,758	5,939,483	7.7%
<b>Subtotal</b>	176,708,931	191,877,258	8.6%
Less: Accumulated depreciation	71,913,267	74,854,826	4.1%
<b>Total</b>	<b>\$ 104,795,664</b>	<b>\$ 117,022,432</b>	<b>11.7%</b>

**Long-Term Debt**

The District has \$66,528,577 in long-term debt as of June 30, 2014. The District made normally scheduled payments on the previously issued general obligation bonds, capital lease, certificates of participation, and early retirement incentives.

	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2013</b>	<b>2014</b>	<b>Change</b>
			<b>2013-14</b>
Compensated absences	\$ 542,631	\$ 504,875	-7.0%
General obligations bonds	63,885,000	61,695,000	-3.4%
Bond issue premiums	2,418,182	2,326,777	-3.8%
Capital lease	443,739	418,429	-5.7%
Certificates of participation	1,205,000	935,000	-22.4%
Early retirement incentives	893,120	648,496	-27.4%
<b>Total</b>	<b>\$ 69,387,672</b>	<b>\$ 66,528,577</b>	<b>-4.1%</b>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The District continues to experience declining enrollment as well as enrollment loss to charter schools. The District will continue to monitor enrollment carefully for trending and accuracy.
- Health benefits, workers' compensation rates, and fuel and energy costs continue to escalate.
- Special education, special education transportation, and home-to-school transportation continue to experience costs far in excess of program revenues, which negatively impact the District's ability to fund other instructional programs.
- The passage of the 2013-14 state budget included a new funding formula for school districts. This Local Control Funding Formula (LCFF) provides a majority of the revenue received by the District. Due to this new funding model, the District continues to monitor the impact of its implementation.



**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Kevin Bultema  
Assistant Superintendent, Business Services  
Chico Unified School District  
1163 East 7<sup>th</sup> Street  
Chico, California 95928  
(530) 891-3000 x.112

## **Basic Financial Statements**

**STATEMENT OF NET POSITION**

*Chico Unified School District*

June 30, 2014	<b>Governmental Activities</b>
<hr/> <hr/>	
<b>ASSETS</b>	
Cash and investments	\$ 52,171,385
Accounts receivable	2,950,496
Due from other governments	7,950,330
Inventories	242,582
Prepaid expenses	250,712
Net OPEB asset	1,235,434
Nondepreciated capital assets	39,495,885
Depreciated capital assets	152,381,373
Accumulated depreciation	(74,854,826)
<b>Total Assets</b>	<hr/> <b>181,823,371</b> <hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	<hr/> 40,995 <hr/>
<b>LIABILITIES</b>	
Overdraft in county treasury	761,501
Accounts payable and other current liabilities	8,063,014
Due to other governments	693,945
Advances from grantors	158,333
Long-term obligations:	
Due within one year	2,742,869
Due beyond one year	63,785,708
<b>Total Liabilities</b>	<hr/> <b>76,205,370</b> <hr/>
<b>NET POSITION</b>	
Net investment in capital assets	64,593,106
Restricted for capital projects	32,352,605
Restricted for debt service	6,066,896
Restricted for educational programs	5,344,976
Unrestricted	(2,698,587)
<b>Total Net Position</b>	<hr/> <b>\$ 105,658,996</b> <hr/>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF ACTIVITIES**

*Chico Unified School District*

Year Ended June 30, 2014	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position - Governmental Activities</u>
<b>FUNCTIONS/PROGRAMS</b>				
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
Instruction	\$ 74,221,667	\$ 439,571	\$ 14,366,428	\$ (59,415,668)
Instruction-related services	10,310,147	10,473	1,353,066	(8,946,608)
Pupil services	14,913,326	722,955	5,597,529	(8,592,842)
Ancillary services	504,544	-	86,728	(417,816)
Community services	18,644	-	-	(18,644)
Enterprise activities	83,224	-	-	(83,224)
General administration	7,242,689	65,370	3,219,621	(3,957,698)
Plant services	9,541,737	284	225,322	(9,316,131)
Other outgo	526,803	16,345	220,571	(289,887)
Interest on long-term debt	2,699,755	-	-	(2,699,755)
<b>Total Governmental Activities</b>	<u>\$ 120,062,536</u>	<u>\$ 1,254,998</u>	<u>\$ 25,069,265</u>	<u>(93,738,273)</u>
<b>GENERAL REVENUES</b>				
				29,707,458
Property taxes - levied for general purposes				6,046,501
Property taxes - levied for debt service				2,985,028
Property taxes - levied for other specific purposes				58,396,440
Federal and state aid not restricted to specific purposes				636,628
Unrestricted investment earnings				127,236
Interagency revenues				2,564,259
Miscellaneous				<u>100,463,550</u>
<b>Total General Revenues and Transfers</b>				<u>6,725,277</u>
<b>Change in Net Position</b>				<u>99,563,422</u>
<b>Net Position - as Previously Reported</b>				<u>(629,703)</u>
<b>Prior-Period Adjustment</b>				<u>98,933,719</u>
<b>Net Position - as Restated</b>				<u>\$ 105,658,996</u>
<b>Net Position - End of Year</b>				

The accompanying notes are an integral part of these financial statements.

**BALANCE SHEET – GOVERNMENTAL FUNDS**

*Chico Unified School District*

June 30, 2014	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>							
Cash and investments	\$ 9,970,860	\$ 20,510	\$ 13,953,259	\$ 13,070,952	\$ 6,637,454	\$ 8,518,210	\$ 52,171,245
Accounts receivable	374,257	7,858	12,483	28,722	7,502	16,535	447,357
Due from other governments	6,634,545	918,875	-	-	-	396,910	7,950,330
Due from other funds	3,467,079	145,313	89,383	2,623	276,855	508,457	4,489,710
Inventories	161,105	81,477	-	-	-	-	242,582
Prepaid expenditures	250,217	495	-	-	-	-	250,712
<b>Total Assets</b>	<b>\$ 20,858,063</b>	<b>\$ 1,174,528</b>	<b>\$ 14,055,125</b>	<b>\$ 13,102,297</b>	<b>\$ 6,921,811</b>	<b>\$ 9,440,112</b>	<b>\$ 65,551,936</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Overdraft in county treasury	\$ -	\$ 761,501	\$ -	\$ -	\$ -	\$ -	\$ 761,501
Accounts payable and other current liabilities	1,499,330	75,829	364,928	34,942	466,689	34,874	2,476,592
Due to other governments	628,300	-	-	-	-	65,645	693,945
Due to other funds	4,495,426	337,198	785,312	72,134	2,623	787,615	6,480,308
Advances from grantors	158,333	-	-	-	-	-	158,333
<b>Total Liabilities</b>	<b>6,781,389</b>	<b>1,174,528</b>	<b>1,150,240</b>	<b>107,076</b>	<b>469,312</b>	<b>888,134</b>	<b>10,570,679</b>
<b>FUND BALANCES</b>							
Nonspendable	436,322	81,972	-	-	-	-	518,294
Restricted	5,225,175	-	12,904,885	12,995,221	6,452,499	6,186,697	43,764,477
Assigned	2,747,868	-	-	-	-	2,365,281	5,113,149
Unassigned	5,667,309	(81,972)	-	-	-	-	5,585,337
<b>Total Fund Balances</b>	<b>14,076,674</b>	<b>-</b>	<b>12,904,885</b>	<b>12,995,221</b>	<b>6,452,499</b>	<b>8,551,978</b>	<b>54,981,257</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,858,063</b>	<b>\$ 1,174,528</b>	<b>\$ 14,055,125</b>	<b>\$ 13,102,297</b>	<b>\$ 6,921,811</b>	<b>\$ 9,440,112</b>	<b>\$ 65,551,936</b>

*The accompanying notes are an integral part of these financial statements.*

**RECONCILIATION OF GOVERNMENTAL  
FUND BALANCES TO GOVERNMENT-WIDE  
NET POSITION**

*Chico Unified School District*

June 30, 2014

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 54,981,257</b>
<p>Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:</p>	
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>	
Capital assets at historical cost	\$ 191,877,258
Accumulated depreciation	<u>(74,854,826)</u>
	117,022,432
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owing at the end of the period was:</p>	
	(1,092,685)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>	
General obligation bonds	64,021,777
Net OPEB asset	(1,235,434)
Compensated absences	504,875
Certificates of participation	935,000
Capital lease	418,429
Deferred loss on refunding	(40,995)
Early retirement incentives	<u>648,496</u>
	(65,252,148)
<p>Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:</p>	
	<u>140</u>
<b>Total Net Position - Governmental Activities</b>	<b>\$ 105,658,996</b>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

*Chico Unified School District*  
Page 1 of 2

Year Ended June 30, 2014	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>							
Property taxes	\$ 29,707,458	\$ -	\$ -	\$ -	\$ -	\$ 9,031,529	\$ 38,738,987
Local control funding formula sources	45,161,730	-	-	-	-	2,815,553	47,977,283
Other state revenue	10,493,739	245,381	-	2,250	8,161,010	226,536	19,128,916
Federal revenue	7,684,710	3,740,534	-	-	-	68,410	11,493,654
Other local revenue	6,750,980	771,948	135,688	1,943,820	148,386	126,174	9,876,996
<b>Total Revenues</b>	<b>99,798,617</b>	<b>4,757,863</b>	<b>135,688</b>	<b>1,946,070</b>	<b>8,309,396</b>	<b>12,268,202</b>	<b>127,215,836</b>
<b>EXPENDITURES</b>							
Current:							
Instruction	69,542,005	-	-	-	-	1,768,424	71,310,429
Instruction-related services	9,002,715	-	-	-	-	1,119,243	10,121,958
Pupil services	10,243,643	4,620,716	-	-	-	15,364	14,879,723
Ancillary services	504,582	-	-	-	-	-	504,582
Community services	18,644	-	-	-	-	-	18,644
Enterprise activities	33,509	50,023	-	-	-	-	83,532
General administration	6,237,716	232,099	-	535,034	-	131,917	7,136,766
Plant services	7,979,468	-	708,206	15,250	552,371	173,281	9,428,576
Transfers between agencies	526,803	-	-	-	-	-	526,803
Debt service:							
Principal	476,157	-	-	-	-	2,190,000	2,666,157
Interest and other charges	124,719	-	-	-	-	2,382,183	2,506,902
Issuance costs and discounts	950	-	-	-	-	-	950
Capital outlay	66,593	-	2,275,536	571,744	12,392,904	1,031,899	16,338,676
<b>Total Expenditures</b>	<b>104,757,504</b>	<b>4,902,838</b>	<b>2,983,742</b>	<b>1,122,028</b>	<b>12,945,275</b>	<b>8,812,311</b>	<b>135,523,698</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (4,958,887)</b>	<b>\$ (144,975)</b>	<b>\$ (2,848,054)</b>	<b>\$ 824,042</b>	<b>\$ (4,635,879)</b>	<b>\$ 3,455,891</b>	<b>\$ (8,307,862)</b>

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

Year Ended June 30, 2014	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Interfund transfers in	\$ 2,313,301	\$ 144,975	\$ -	\$ -	\$ -	\$ -	\$ 2,458,276
Interfund transfers out	(144,975)	-	-	(54,502)	-	(2,258,799)	(2,458,276)
<b>Total Other Financing Sources (Uses)</b>	<b>2,168,326</b>	<b>144,975</b>	<b>-</b>	<b>(54,502)</b>	<b>-</b>	<b>(2,258,799)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,790,561)</b>	<b>-</b>	<b>(2,848,054)</b>	<b>769,540</b>	<b>(4,635,879)</b>	<b>1,197,092</b>	<b>(8,307,862)</b>
<b>Fund Balances - as Previously Reported</b>	<b>17,496,938</b>	<b>-</b>	<b>15,752,939</b>	<b>12,225,681</b>	<b>11,088,378</b>	<b>7,354,886</b>	<b>63,918,822</b>
<b>Prior-Period Adjustment</b>	<b>(629,703)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(629,703)</b>
<b>Fund Balances - as Restated</b>	<b>16,867,235</b>	<b>-</b>	<b>15,752,939</b>	<b>12,225,681</b>	<b>11,088,378</b>	<b>7,354,886</b>	<b>63,289,119</b>
<b>Fund Balances - End of Year</b>	<b>\$ 14,076,674</b>	<b>\$ -</b>	<b>\$ 12,904,885</b>	<b>\$ 12,995,221</b>	<b>\$ 6,452,499</b>	<b>\$ 8,551,978</b>	<b>\$ 54,981,257</b>

*The accompanying notes are an integral part of these financial statements.*



**RECONCILIATION OF NET CHANGE IN  
FUND BALANCES TO CHANGE IN NET POSITION**

June 30, 2014

*Chico Unified School District*

Page 1 of 2

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (8,307,862)</b>
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>	
Expenditures for capital outlay	\$ 16,828,005
Depreciation expense	<u>(4,021,706)</u>
	12,806,299
<p>Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>	
	2,485,310
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:</p>	
	(280,397)
<p>Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:</p>	
	(428,023)
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>	
	<u>37,756</u>
<b>Balance Forward</b>	<b>\$ 6,313,083</b>

**RECONCILIATION OF NET CHANGE IN  
FUND BALANCES TO CHANGE IN NET POSITION**  
June 30, 2014

<b>Balance Brought Forward</b>	\$ 6,313,083
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	230,584
Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. Typical examples, in addition to compensated absences and interest on long-term debt, are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods for early retirement incentives were:	244,624
Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as construction in progress must be written off to expense. Costs written off for canceled projects were:	(151,508)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:	88,494
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 6,725,277</b>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF NET POSITION –  
PROPRIETARY FUND**

*Chico Unified School District*

June 30, 2014	<b>Self-Insurance Internal Service</b>
<hr/> <hr/>	
<b>ASSETS</b>	
Cash and Investments	\$ 140
	<hr/> <hr/>
<b>NET POSITION</b>	
Unrestricted	\$ 140
	<hr/> <hr/>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION –  
PROPRIETY FUND**

*Chico Unified School District*

Year Ended June 30, 2014	<b>Self-Insurance Internal Service</b>
<b>Change in Net Position</b>	\$ -
<b>Net Position - Beginning of Year</b>	140
<b>Net Position - End of Year</b>	\$ 140

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF FIDUCIARY NET POSITION –  
FIDUCIARY FUNDS**

*Chico Unified School District*

June 30, 2014	<b>Agency</b>
<b>ASSETS</b>	
Cash and investments	\$ 2,593,240
Accounts receivable	4,372
Due from other funds	4,493,737
Inventories	49,078
Prepaid expenses	147,308
<b>Total Assets</b>	<b>\$ 7,287,735</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,833,425
Due to other funds	2,503,139
Due to student groups	951,171
<b>Total Liabilities</b>	<b>\$ 7,287,735</b>

*The accompanying notes are an integral part of these financial statements.*

## 1. SIGNIFICANT ACCOUNTING POLICIES

The District is governed by an elected five-member board. The District operates twelve elementary schools, three junior high schools, two high schools, one continuation school, one community day school, one opportunity school, an independent study program, and one special services program in Chico, California. The District is the sponsoring local educational agency for seven charter 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 District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are discussed below.

### Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary government:

Chico Unified School District

Blended component units:

Chico Educators Health and Welfare Benefits Trust

Chico Unified Schools Financing Corporation

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that the nature and significance of their relationship with the District is such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

***Blended Component Units*** Separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District's governing board or the component unit that provides services entirely to the District. These component units' funds are blended into those of the District by appropriate activity type to compose the primary government presentation.

***Discretely Presented Component Units*** Separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

**Blended Component Units**

The component units that are blended into the reporting activity of the District's report are as follows:

Chico Educators Health and Welfare Benefits Trust (the Trust) is reported as an internal service fund. The Trust was formed for the sole purpose of providing health and welfare benefits to members of school bargaining units and is a tax-exempt entity under Internal Revenue Code Section 501(c)(9). The Trust currently funds a fixed number of retirees' Medicare supplement insurance.

Chico Unified Schools Financing Corporation (the Corporation) is reported as a capital projects fund. The Corporation was formed for the sole purpose of financially assisting the District. The District has assumed a "moral obligation" and a potential legal obligation for any debt incurred by the Corporation.

**Basis of Presentation****Government-Wide Financial Statements**

The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs; and (b) 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, including all taxes and unrestricted grants and contributions, are presented as general revenues.

### Fund Financial Statements

Fund financial statements of the reporting entity are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of operating income, financial position, changes in net position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services, as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The funds of the financial reporting entity are described below.

### Governmental Funds

**General Fund** 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.

**Special Revenue Funds** Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Charter Schools Fund is used to report separately the activities of Inspire School of Arts and Sciences.
2. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38090-38093).

**Capital Projects Funds** Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).



3. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code*, Section 17070.10).
4. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

***Debt Service Funds*** Funds that are established to account for the accumulation of resources for the payment of the principal and interest on long-term debt.

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code*, Sections 15125-15262).
2. Debt Service Fund is used for the accumulation of resources for the retirement of principal and interest on long-term debt.

**Proprietary Funds**

***Internal Service Funds*** Funds that are used to account for services rendered on a cost-reimbursement basis. The District maintains one internal service fund, the Self-Insurance Fund, which is used to provide dental and vision benefits to its employees. This internal service fund is included in governmental activities for government-wide reporting purposes. The effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the fund are allocated to the appropriate functional activity.

**Fiduciary Funds**

***Agency Funds*** Funds that are used to account for assets of others for whom the District acts as an agent.

1. Warrant/Pass-Through Fund is used to account for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.
2. Student Body Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code*, Sections 48930-48938).

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

## Major Governmental Funds:

- General Fund
- Cafeteria Special Revenue Fund
- Building Fund
- Capital Facilities Fund
- County School Facilities Fund

## Nonmajor Governmental Funds:

- Charter Schools Fund
- Special Reserve Capital Projects Fund
- Bond Interest and Redemption Fund
- Debt Service Fund

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the fund financial statements, proprietary funds utilize an “economic resources” measurement focus.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **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 Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and each major special revenue fund 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 legally cannot exceed appropriations by major object account.

### **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 and disclosures. Accordingly, actual results could differ from those estimates.

### **Cash, Cash Equivalents, and Investments**

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Butte County Treasury as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2014, the fair value of the County pool is 99.95% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during the year ended June 30, 2014, was \$321,372. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2014, was \$26,236.

### **Accounts Receivable and Due From Other Governments**

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2014. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated but has not received as of June 30, 2014. At June 30, 2014, no allowance for doubtful accounts was deemed necessary.

### **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

### **Inventories and Prepaid Expenses**

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities' inventory is valued at its fair value at the time of donation. Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

### **Bond Premiums**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective-interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. In the governmental funds, these costs are reported as expenditures when the related liability is incurred.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

School buildings	50
Portable classrooms	25
Site improvements	20-50
Equipment	5-20
Vehicles	8

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Advances From Grantors**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Advances from grantors are recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**Deferred Outflows/Inflows of Resources**

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) which will only be recognized as an outflow of resources (expense/expenditures) in the future. The District only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide 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 shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time. The District does not have this type of item.

**Equity Classifications****Government-Wide Statements**

Equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets:* Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position:* Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

*Unrestricted Net Position:* Consists of any other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

## Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

*Nonspendable Fund Balance:* Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted Fund Balance:* Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, or the laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

*Committed Fund Balance:* Consists of amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees. The District's Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District's Board of Trustees.

*Assigned Fund Balance:* Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

*Unassigned Fund Balance:* Consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts of 5% of General Fund expenditures and other financing uses, which is 2% more than the state's required minimum of 3%. If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board of Trustees shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Trustees has provided otherwise in its commitment or assignment actions.

## Local Control Funding Formula Grant and Property Tax

The District's Local Control Funding Formula (LCFF) grant is received from a combination of local property taxes and state apportionments.

June 30, 2014

Butte 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. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes on the secured roll are due on December 10 and April 10 and become delinquent after December 10 and April 10, respectively.

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.

Property taxes are recorded as LLCFF sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State's General Fund and is referred to as the state apportionment. The District's LCFF provides a base grant per average daily attendance (ADA), which varies by grade span, plus supplemental and concentration grants that reflect student demographic factors and categorical programs.

### **Revenue – Nonexchange Transactions**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. 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 required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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.

### **Expenditures and Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character

Current (further classified by function)

Debt service

Capital outlay

Proprietary funds – by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.



**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2014:

	<u>Maturities</u>	<u>Fair Value</u>
DEPOSITS (1)		\$ 1,177,121
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool (net of overdraft)	2.5 years average	52,826,003
<b>Total Cash and Investments</b>		<b>54,003,124</b>
Less: Agency fund cash and investments		2,593,240
<b>Total Cash and Investments Per Government-Wide Statement of Net Position (Net of Overdraft in County Treasury)</b>		<b>\$ 51,409,884</b>

- (1) *Deposits* The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) *Investments That are Not Securities* A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**Custodial Credit Risk – Deposits**

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$684,259 of the District’s bank balance of \$1,184,259 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Uninsured and uncollateralized	\$ 684,259

**Credit Risk – Investments**

*California Government Code*, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investment in the County investment pool is unrated.

**Concentration of Credit Risk – Investments**

*California Government Code*, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

*California Government Code*, Section 53601, places the following concentration limits on the District’s investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers’ acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Chico Unified School District*

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014, consisted of the following:

	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Other Governmental Funds</b>
Interest	\$ 25,818	\$ -	\$ 7,672	\$ 20,636	\$ 6,204	\$ 16,535
Other	348,439	7,858	4,811	8,086	1,298	-
<b>Total</b>	<b>\$ 374,257</b>	<b>\$ 7,858</b>	<b>\$ 12,483</b>	<b>\$ 28,722</b>	<b>\$ 7,502</b>	<b>\$ 16,535</b>

**4. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2014, consisted of the following:

	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Other Governmental Funds</b>
<b>DUE FROM</b>			
Federal government	\$ 1,674,414	\$ 869,413	\$ 4,519
State government	4,732,810	49,462	279,426
Local governments	227,321	-	112,965
<b>Total</b>	<b>\$ 6,634,545</b>	<b>\$ 918,875</b>	<b>\$ 396,910</b>

**5. INTERFUND TRANSACTIONS AND BALANCES**

**Interfund Receivables/Payables**

Interfund receivable and payable balances in the fund financial statements are as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amounts</u>
General	Cafeteria Special Revenue	\$ 232,099
General	Charter Schools	330,388
General	Capital Facilities	54,502
General	Warrant/Pass-Through	2,503,139
General	Special Reserve Capital Projects	346,951
Capital Facilities	County School Facilities	2,623
Warrant/Pass-Through	Cafeteria Special Revenue	105,099
Warrant/Pass-Through	Capital Facilities	17,632
Warrant/Pass-Through	General	4,350,113
Warrant/Pass-Through	Charter Schools	20,893
Building	Special Reserve Capital Projects	89,383
Cafeteria Special Revenue	General	145,313
County School Facilities	Building	276,855
Special Reserve Capital Projects	Building	508,457
<b>Total</b>		<b>\$ 8,983,447</b>

The specific purposes of the interfund balances are as follows:

General Fund interfund receivable from the Cafeteria Special Revenue Fund, Charter Schools Fund, and Capital Facilities Fund to reimburse the General Fund for developer fee administration, closing costs and indirect cost charges;

General Fund interfund receivable from the Warrant/Pass-Through Fund for payroll liabilities corrections and short-term loan between the funds;

General Fund interfund receivable from the Special Reserve Capital Projects Fund for RDA dollars to support maintenance costs;

Capital Facilities Fund interfund receivable from the County School Facilities Fund for correction of expenses disbursed from the incorrect fund;

Warrant/Pass-Through Fund interfund receivable from the Cafeteria Special Revenue Fund, Capital Facilities Fund, General Fund, and Charter Schools Fund for payroll and benefit related expenses and corrections;

Building Fund interfund receivable from the Special Reserve Capital Projects Fund for correction of expenses disbursed from incorrect fund;

Cafeteria Special Revenue Fund interfund receivable from the General Fund for an operating contribution; and

County School Facilities Fund and Special Reserve Capital Projects Fund interfund receivable from the Building Fund for correction of expense disbursed from the incorrect fund.

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General	Cafeteria Special Revenue	\$ 144,975
Charter Schools	General	26,700
Capital Facilities	General	54,502
Special Reserve Capital Projects	General	2,232,099
<b>Total</b>		<b>\$ 2,458,276</b>

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The specific purposes of the interfund transfers that do not occur on a routine basis are as follows:

Interfund transfer out of the Capital Facilities Fund to the General Fund for developer fees administration; and

Interfund transfer out of the Special Reserve Capital Projects Fund to the General Fund to provide maintenance support.

No transfers are inconsistent with the activities of the funds making the transfer.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Chico Unified School District*

**6. CAPITAL ASSETS**

Capital assets activity is as follows:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>NONDEPRECIATED CAPITAL ASSETS</b>				
Land	\$ 11,825,696	\$ -	\$ -	\$ 11,825,696
Construction in progress	16,192,656	16,127,809	4,650,276	27,670,189
<b>Total Nondepreciated Capital Assets</b>	<b>28,018,352</b>	<b>16,127,809</b>	<b>4,650,276</b>	<b>39,495,885</b>
<b>DEPRECIATED CAPITAL ASSETS</b>				
Buildings	135,061,219	4,595,651	1,508,170	138,148,700
Site improvements	8,116,602	176,588	-	8,293,190
Equipment and vehicles	5,512,758	426,725	-	5,939,483
<b>Total Depreciated Capital Assets</b>	<b>148,690,579</b>	<b>5,198,964</b>	<b>1,508,170</b>	<b>152,381,373</b>
<b>Total at Historical Cost</b>	<b>176,708,931</b>	<b>21,326,773</b>	<b>6,158,446</b>	<b>191,877,258</b>
<b>LESS: ACCUMULATED DEPRECIATION</b>				
Buildings	62,055,899	3,460,927	1,080,147	64,436,679
Site improvements	5,520,053	243,283	-	5,763,336
Equipment and vehicles	4,337,315	317,496	-	4,654,811
<b>Total Accumulated Depreciation</b>	<b>71,913,267</b>	<b>4,021,706</b>	<b>1,080,147</b>	<b>74,854,826</b>
<b>Total Depreciated Capital Assets - Net</b>	<b>76,777,312</b>	<b>1,177,258</b>	<b>428,023</b>	<b>77,526,547</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 104,795,664</b>	<b>\$ 17,305,067</b>	<b>\$ 5,078,299</b>	<b>\$ 117,022,432</b>

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Chico Unified School District*

Depreciation expense was charged to governmental activities as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 3,304,497
Instruction-related services	207,448
Pupil services	69,080
General administration	93,357
Plant services	347,324
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 4,021,706</b>

**7. ACCOUNTS PAYABLE**

Accounts payable at June 30, 2014, consisted of the following:

	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Other Governmental Funds</b>
Vendors	\$ 1,403,446	\$ 71,385	\$ 364,928	\$ 34,933	\$ 466,313	\$ 33,284
Other	95,884	4,444	-	9	376	1,590
<b>Total</b>	<b>\$ 1,499,330</b>	<b>\$ 75,829</b>	<b>\$ 364,928</b>	<b>\$ 34,942</b>	<b>\$ 466,689</b>	<b>\$ 34,874</b>

**8. DUE TO OTHER GOVERNMENTS**

Due to other governments at June 30, 2014, consisted of the following:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
<b>DUE TO</b>		
State government	\$ 15,980	\$ 65,645
Local governments	612,320	-
<b>Total</b>	<b>\$ 628,300</b>	<b>\$ 65,645</b>

**9. BONDED DEBT**

The outstanding general obligation bonded debt is as follows:

<b>Issue Date</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Outstanding July 1, 2013</b>	<b>Redeemed Current Year</b>	<b>Outstanding June 30, 2014</b>
2008	4.00-5.75%	2033	\$ 30,725,000	\$ 30,605,000	\$ 255,000	\$ 30,350,000
2012	2.85%	2029	18,665,000	18,280,000	1,935,000	16,345,000
2013	5.00%	2044	15,000,000	15,000,000	-	15,000,000
<b>Totals</b>			<b>\$ 64,390,000</b>	<b>\$ 63,885,000</b>	<b>\$ 2,190,000</b>	<b>\$ 61,695,000</b>

The amount of interest cost incurred during the year ended June 30, 2014, was \$2,665,596, all of which was charged to expenses.

The annual requirements to amortize the general obligation bonds payable are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 2,095,000	\$ 2,563,013	\$ 4,658,013
2016	2,315,000	2,494,564	4,809,564
2017	2,555,000	2,417,076	4,972,076
2018	2,175,000	2,338,175	4,513,175
2019	1,950,000	2,260,131	4,210,131
2020-2024	14,090,000	9,927,491	24,017,491
2025-2029	16,770,000	6,339,089	23,109,089
2030-2034	6,660,000	4,034,016	10,694,016
2035-2039	5,085,000	2,696,375	7,781,375
2040-2044	8,000,000	1,070,000	9,070,000
<b>Totals</b>	<b>\$ 61,695,000</b>	<b>\$ 36,139,930</b>	<b>\$ 97,834,930</b>



**10. CAPITAL LEASE**

The District leases solar equipment under an agreement which provides for title to pass upon expiration of the lease period. The cost of the solar equipment is included in buildings on the statement of net position as depreciated capital assets and was \$622,136 at June 30, 2014. Accumulated depreciation on the leased equipment at June 30, 2014, was \$167,631. Depreciation on the assets under capital lease is included in depreciation expense and amount to \$20,738 for the year ended June 30, 2014. The amount of interest cost incurred during the year ended June 30, 2014, was \$21,210, all of which was charged to expenses. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2015	\$ 47,667
2016	47,666
2017	47,666
2018	47,667
2019	47,667
2020-2024	238,334
2025-2026	<u>71,501</u>
<b>Total</b>	548,168
Less: Amount representing interest	<u>129,739</u>
<b>Present Value of Net Minimum Lease Payments</b>	<u><u>\$ 418,429</u></u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Chico Unified School District*

**11. CERTIFICATES OF PARTICIPATION**

In 2004, the District issued certificates of participation (COP) in the amount of \$2,705,000 with interest rates ranging from 2% to 4%. As of June 30, 2014, the principal balance outstanding was \$935,000. The amount of interest cost incurred during the year ended June 30, 2014, was \$35,570, all of which was charged to expenses.

The certificates mature through 2018 as follows:

Year Ending June 30	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 285,000	\$ 29,075	\$ 314,075
2016	300,000	18,650	318,650
2017	315,000	7,306	322,306
2018	35,000	700	35,700
<b>Totals</b>	<b>\$ 935,000</b>	<b>\$ 55,731</b>	<b>\$ 990,731</b>

**12. CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated absences	\$ 542,631	\$ -	\$ 37,756	\$ 504,875	\$ -
General obligation bonds	63,885,000	-	2,190,000	61,695,000	2,095,000
Bond issue premiums	2,418,182	-	91,405	2,326,777	91,405
Capital lease	443,739	-	25,310	418,429	27,782
Certificates of participation	1,205,000	-	270,000	935,000	285,000
Early retirement incentives	893,120	-	244,624	648,496	243,682
<b>Totals</b>	<b>\$ 69,387,672</b>	<b>\$ -</b>	<b>\$ 2,859,095</b>	<b>\$ 66,528,577</b>	<b>\$ 2,742,869</b>

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Chico Unified School District*

**13. FUND BALANCES COMPONENTS**

Fund balances as of June 30, 2014, are composed of the following:

	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Other Governmental Funds</b>
<b>NONSPENDABLE</b>						
Reserved for:						
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -
Stores inventories	161,105	81,477	-	-	-	-
Prepaid expenditures	250,217	495	-	-	-	-
<b>Total Nonspendable</b>	<b>\$ 436,322</b>	<b>\$ 81,972</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>RESTRICTED</b>						
Restricted for:						
Capital projects	\$ -	\$ -	\$ 12,904,885	\$ 12,995,221	\$ 6,452,499	\$ -
Debt service	-	-	-	-	-	6,066,896
Federal and state categoricals	5,225,175	-	-	-	-	119,801
<b>Total Restricted</b>	<b>\$ 5,225,175</b>	<b>\$ -</b>	<b>\$ 12,904,885</b>	<b>\$ 12,995,221</b>	<b>\$ 6,452,499</b>	<b>\$ 6,186,697</b>

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Chico Unified School District*

	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Other Governmental Funds</b>
<b>ASSIGNED</b>						
Assigned for:						
Site discretionary carryover	\$ 253,869	\$ -	\$ -	\$ -	\$ -	\$ -
Charter schools	-	-	-	-	-	881,072
Capital projects	-	-	-	-	-	1,484,209
Deferred maintenance	604	-	-	-	-	-
Additional 2% board reserve	2,100,273	-	-	-	-	-
One-time program carryover	393,122	-	-	-	-	-
<b>Total Assigned</b>	<b>\$ 2,747,868</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,365,281</b>
<b>UNASSIGNED</b>						
Designated for economic uncertainties	\$ 3,150,409	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	2,516,900	(81,972)	-	-	-	-
<b>Total Unassigned</b>	<b>\$ 5,667,309</b>	<b>\$ (81,972)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**14. JOINT POWERS AUTHORITIES**

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Butte Schools Self-Funded Program (BSSP), Northern California Schools Insurance Group (NCSIG), North Valley Schools Insurance Group (NVSIG), and Northern California Regional Liability Excess Fund (ReLiEF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers’ compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District’s share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

**15. COMMITMENTS AND CONTINGENCIES**

**Federal and State Allowances, Awards, and Grants**

The District 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 reimbursements will not be material.

**Construction Project Commitments**

Construction project commitments as of June 30, 2014, are as follows:

<b>Construction Project</b>	<b>Remaining Construction Commitment</b>
Reconstruction of Lincoln Hall	\$ 411,402
Fitness lab - Chico High School	88,367
New classrooms - Pleasant Valley High School	741,999
Sewer hook-up	164,313
Technology infrastructure	492,580
Site drainage	362,624
Portables	112,390
<b>Total</b>	<b>\$ 2,373,675</b>

**16. RISK MANAGEMENT**

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers’ compensation, health care, and excess liability coverage.

**17. EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**California State Teachers' Retirement System****Plan Description**

The District contributes to CalSTRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

**Funding Policy**

Active plan members are required to contribute 8.00% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, 2012, were \$4,088,815, \$4,023,048, and \$4,021,188, respectively, and equaled 100% of the required contributions for each year.

**California Public Employees' Retirement System****Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

**Funding Policy**

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2013-14 fiscal year was 11.442%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,982,987, \$1,918,125, and \$1,751,413, respectively, and equaled 100% of the required contributions for each year.

June 30, 2014

**18. EARLY RETIREMENT INCENTIVE PROGRAM**

The District did not enter into any early retirement incentive agreements during 2013-14, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

**19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS****Plan Description**

The District provides postemployment health care benefits to qualifying employees through the Butte Schools Self-Funded Program (BSSP) JPA. Five medical/prescription drug options are available to active employees: the Option I - Silver, Red, Blue, Option II, and HDHP A plans. The District pays composite rates on behalf of active employees. Only the Blue plan is now available to District retirees. A two-tiered rate schedule applies to all retirees under age 65 (a composite rate for the retiree plus spouse, with or without Medicare A and B, and a second rate for the retiree only).

For the 2013-14 fiscal year, the District contributes to the Blue plan rate (subject to proration for part-time service) based on the applicable tier for each retiree. Changes in plan offerings effective for the 2014-15 year were not taken into account for the valuation.

Employees from certificated, classified, and management units may retire with District-paid healthcare benefits after the later of age 55 and 5 years of service (10 years for certificated employees hired on or after October 1, 2009). Employees may retire between the ages of 50 and 55 and preserve their right to District-paid benefits beginning at age 55 by paying the medical premium between retirement and age 55.

District-paid benefits end at age 65 for all retirees with two exceptions: (a) a group of CUTA employees, who were hired prior to April 1, 1986, and who opted out of Medicare Part A; and (b) a retired district superintendent receiving lifetime benefits.

Certificated employees hired prior to April 1, 1986, who do not have Medicare Part A or Part B, or both, after reaching age 65 and retiring from the District, are eligible for a District reimbursement of up to 50% of retiree premiums for the purchase of Parts A and/or B, with the total District reimbursement not to exceed \$2,400 in any one-year period.

At June 30, 2014, 235 retirees met these eligibility requirements and an estimated 1,266 participants will be eligible in future years.

**Funding Policy**

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

**Annual Other Postemployment Benefit (OPEB) Cost and Net Asset**

For the year ended June 30, 2014, the District's annual OPEB cost is calculated based on the annual required contribution for the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB asset:

Annual required contribution	\$ 2,565,305
Interest on net OPEB asset	(40,194)
Adjustment to annual required contribution	58,111
<b>Annual OPEB Cost</b>	<b>2,583,222</b>
Contributions	2,813,806
<b>Change in Net OPEB Asset</b>	<b>(230,584)</b>
<b>Net OPEB Asset - Beginning of Year</b>	<b>(1,004,850)</b>
<b>Net OPEB Asset - End of Year</b>	<b>\$ (1,235,434)</b>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the year ended June 30, 2014, and the preceding two years were as follows:

<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Employer Contributions</b>	<b>Percentage Contributed</b>	<b>Net Ending OPEB Asset</b>
June 30, 2012	\$ 2,395,108	\$ 2,578,801	107.67%	\$ (580,958)
June 30, 2013	\$ 2,397,872	\$ 2,821,764	117.68%	\$ (1,004,850)
June 30, 2014	\$ 2,583,222	\$ 2,813,806	108.93%	\$ (1,235,434)

**Funded Status and Funding Progress**

The funded status of the plan as of the actuarial valuation dates below was as follows:

	<b>July 1, 2009</b>	<b>July 1, 2011</b>	<b>July 1, 2013</b>
Actuarial accrued liability (AAL)	\$ 21,053,366	\$ 20,809,318	\$ 23,064,290
Actuarial value of plan assets	-	-	-
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$ 21,053,366</b>	<b>\$ 20,809,318</b>	<b>\$ 23,064,290</b>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll (active members)	\$ 64,950,487	\$ 67,324,776	\$ 62,394,618
<b>UAAL as a Percentage of Covered Payroll</b>	<b>32.41%</b>	<b>30.91%</b>	<b>36.97%</b>



Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the District and plan members at that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.00% initially, reduced by decrements to an ultimate rate of 5.00% after three years. Both rates include a 4.00% inflation assumption. The District's unfunded actuarial accrued liability is amortized over an open period of 30 years. The remaining amortization period at June 30, 2014, was 29 years.

## **20. PRIOR-PERIOD ADJUSTMENT**

Net position in the statement of net position and fund balance in the General Fund as of July 1, 2013, have been decreased by \$629,703, as a result of an overstatement of cash and investments as of June 30, 2013. This adjustment has no effect on revenue or expense during the 2013-14 fiscal year.

## **21. FUTURE GASB IMPLEMENTATION**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This statement will improve accounting and financial reporting by state and local governments for defined benefit pensions and defined contribution pensions. The statement will also improve information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2014, will have on the District's financial statements, if any.

**Required Supplementary Information**

**BUDGETARY COMPARISON SCHEDULE –  
GENERAL FUND**

*Chico Unified School District*

Year Ended June 30, 2014	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 21,143,395	\$ 21,442,557	\$ 29,707,458	\$ 8,264,901
Local control funding formula sources	43,444,120	53,035,659	45,161,730	(7,873,929)
Other state revenue	18,086,158	10,334,840	10,493,739	158,899
Federal revenue	6,789,076	8,506,047	7,684,710	(821,337)
Other local revenue	5,793,559	6,807,113	6,750,980	(56,133)
<b>Total Revenues</b>	<b>95,256,308</b>	<b>100,126,216</b>	<b>99,798,617</b>	<b>(327,599)</b>
<b>EXPENDITURES</b>				
Certificated salaries	45,551,828	48,943,437	49,078,173	(134,736)
Classified salaries	15,838,108	17,328,227	17,495,716	(167,489)
Employee benefits	24,076,116	25,857,440	26,052,037	(194,597)
Books and supplies	7,162,695	5,166,618	3,733,080	1,433,538
Services and other operating	5,265,295	7,244,029	7,207,588	36,441
Capital outlay	-	406,494	427,247	(20,753)
Other outgo	(195,005)	178,197	162,787	15,410
Debt service:				
Principal	679,923	476,157	476,157	-
Interest and other charges	285,663	124,719	124,719	-
<b>Total Expenditures</b>	<b>98,664,623</b>	<b>105,725,318</b>	<b>104,757,504</b>	<b>967,814</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,408,315)</b>	<b>(5,599,102)</b>	<b>(4,958,887)</b>	<b>640,215</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	2,300,953	1,932,933	2,313,301	380,368
Interfund transfers out	-	-	(144,975)	(144,975)
<b>Total Other Financing Sources (Uses)</b>	<b>2,300,953</b>	<b>1,932,933</b>	<b>2,168,326</b>	<b>235,393</b>
<b>Net Change in Fund Balances</b>	<b>(1,107,362)</b>	<b>(3,666,169)</b>	<b>(2,790,561)</b>	<b>875,608</b>
<b>Fund Balances - as Previously Reported</b>	<b>17,496,938</b>	<b>17,496,938</b>	<b>17,496,938</b>	<b>-</b>
<b>Prior-Period Adjustment</b>	<b>(629,703)</b>	<b>(629,703)</b>	<b>(629,703)</b>	<b>-</b>
<b>Fund Balances - as Restated</b>	<b>16,867,235</b>	<b>16,867,235</b>	<b>16,867,235</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 15,759,873</b>	<b>\$ 13,201,066</b>	<b>\$ 14,076,674</b>	<b>\$ 875,608</b>

See the accompanying notes to this budgetary comparison schedule.

**BUDGETARY COMPARISON SCHEDULE –  
CAFETERIA SPECIAL REVENUE FUND**

*Chico Unified School District*

Year Ended June 30, 2014	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other state revenue	\$ 190,300	\$ 279,000	\$ 245,381	\$ (33,619)
Federal revenue	4,253,060	3,649,160	3,740,534	91,374
Other local revenue	999,500	837,000	771,948	(65,052)
<b>Total Revenues</b>	<b>5,442,860</b>	<b>4,765,160</b>	<b>4,757,863</b>	<b>(7,297)</b>
<b>EXPENDITURES</b>				
Classified salaries	1,795,053	1,653,276	1,741,166	(87,890)
Employee benefits	821,673	723,697	817,575	(93,878)
Books and supplies	1,895,000	1,919,500	2,016,956	(97,456)
Services and other operating	112,314	113,454	95,042	18,412
Capital outlay	165,000	50,000	-	50,000
Other outgo	245,599	245,599	232,099	13,500
<b>Total Expenditures</b>	<b>5,034,639</b>	<b>4,705,526</b>	<b>4,902,838</b>	<b>(197,312)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>408,221</b>	<b>59,634</b>	<b>(144,975)</b>	<b>(204,609)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	-	-	144,975	144,975
<b>Net Change in Fund Balances</b>	<b>408,221</b>	<b>59,634</b>	<b>-</b>	<b>(59,634)</b>
<b>Fund Balances - Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 408,221</b>	<b>\$ 59,634</b>	<b>\$ -</b>	<b>\$ (59,634)</b>

*See the accompanying notes to this budgetary comparison schedule.*

**NOTES TO THE BUDGETARY  
COMPARISON SCHEDULES**

June 30, 2014

*Chico Unified School District*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's Governing Board annually adopts a budget for the General Fund and each major special revenue fund of the District. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund and the special revenue funds present actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on the annual budgets lapse at the end of each fiscal year.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2014, expenditures exceeded appropriations by the following amounts:

	<b>General Fund</b>	<b>Cafeteria Special Revenue Fund</b>
Certificated salaries	\$ 134,736	\$ -
Classified salaries	\$ 167,489	\$ 87,890
Employee benefits	\$ 194,597	\$ 93,878
Books and supplies	\$ -	\$ 97,456
Capital outlay	\$ 20,753	\$ -

The excess expenditures in the General Fund were offset by unexpended appropriations in other categories.

The excess expenditures in the Cafeteria Special Revenue Fund were funded by an interfund transfer in from the General Fund.

**OTHER SUPPLEMENTARY INFORMATION SECTION**

**LOCAL EDUCATIONAL AGENCY  
ORGANIZATION STRUCTURE**

June 30, 2014

*Chico Unified School District*

The Chico Unified School District is located in Butte County and was established in 1965. There were no changes in the boundaries of the District during the current year. The District is currently operating twelve elementary schools, three junior high schools, two high schools, one continuation school, one community day school, one opportunity school, an independent study program, a special services school, and sponsors seven charter schools.

**GOVERNING BOARD**

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Dr. Kathleen Kaiser	President	2014
Dr. Andrea Lerner Thompson	Vice President	2014
Eileen Robinson	Clerk	2014
Elizabeth Griffin	Member	2016
Linda Hovey	Member	2016

**ADMINISTRATION**

Kelly Staley  
Superintendent

Bob Feaster  
Assistant Superintendent, Human Resources

Kevin Bultema  
Assistant Superintendent, Business Services

Dave Scott  
Assistant Superintendent, Educational Service

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

June 30, 2014

*Chico Unified School District*

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	<u>Originally Reported</u>		<u>Final</u>	
	<u>Second Period Report</u>	<u>Annual Report</u>	<u>Second Period Report</u>	<u>Annual Report</u>
<b>ELEMENTARY</b>				
REGULAR ADA*				
Transitional kindergarten/ kindergarten through grade 3	3,404	3,401	3,404	3,401
Grades 4 through 6	2,432	2,426	2,432	2,426
Grades 7 through 8	1,786	1,779	1,786	1,779
EXTENDED-YEAR SPECIAL EDUCATION				
Transitional kindergarten/ kindergarten through grade 3	7	8	7	8
Grades 4 through 6	5	5	5	5
Grades 7 through 8	2	2	2	2
SPECIAL EDUCATION - NONPUBLIC, NONSECTARIAN SCHOOLS				
Grades 4 through 6	1	1	1	1
COMMUNITY DAY SCHOOL				
Transitional kindergarten/ kindergarten through grade 3				
Grades 7 through 8	11	11	11	11
<b>Elementary Totals</b>	<b>7,648</b>	<b>7,633</b>	<b>7,648</b>	<b>7,633</b>
<b>HIGH SCHOOL</b>				
REGULAR ADA**				
Grades 9 through 12	3,705	3,661	3,705	3,661
EXTENDED-YEAR SPECIAL EDUCATION				
Grades 9 through 12	6	6	6	6
SPECIAL EDUCATION - NONPUBLIC, NONSECTARIAN SCHOOLS				
Grades 9 through 12	2	2	2	2
COMMUNITY DAY SCHOOL				
Grades 9 through 12	22	18	22	18
<b>High School Totals</b>	<b>3,735</b>	<b>3,687</b>	<b>3,735</b>	<b>3,687</b>
<b>ADA Totals</b>	<b>11,383</b>	<b>11,320</b>	<b>11,383</b>	<b>11,320</b>

\*Includes opportunity classes, home and hospital, and special day classes.

\*\*Includes opportunity classes, home and hospital, special day classes, and continuation education.

See the accompanying note to the other supplementary information.



**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

June 30, 2014

*Chico Unified School District*

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	<u>Originally Reported</u>		<u>Final</u>	
	<u>Second Period Report</u>	<u>Annual Report</u>	<u>Second Period Report</u>	<u>Annual Report</u>
<b>INSPIRE SCHOOL OF ARTS AND SCIENCES</b>				
<b>HIGH SCHOOL</b>				
REGULAR ADA				
<b>Grades 9 through 12</b>				
<b>Total ADA</b>	<u>401</u>	<u>397</u>	<u>401</u>	<u>397</u>
REGULAR ADA				
<b>Grades 9 through 12</b>				
<b>Classroom-Based ADA</b>	<u>396</u>	<u>393</u>	<u>396</u>	<u>393</u>

*See the accompanying note to the other supplementary information.*

**SCHEDULE OF INSTRUCTIONAL TIME**

Year Ended June 30, 2014

*Chico Unified School District*

<b>Traditional Schools</b>	<b>1986-87 Minutes Requirement</b>	<b>2013-14 Actual Minutes</b>	<b>Traditional Calendar Days</b>	<b>Multitrack Calendar Days</b>	<b>Status</b>
Kindergarten	36,000	36,000	180	N/A	Complied
Grade 1	50,400	50,400	180	N/A	Complied
Grade 2	50,400	50,400	180	N/A	Complied
Grade 3	50,400	50,400	180	N/A	Complied
Grade 4	54,000	54,000	180	N/A	Complied
Grade 5	54,000	54,000	180	N/A	Complied
Grade 6	54,000	54,000	180	N/A	Complied
Grade 7	54,000	60,806	180	N/A	Complied
Grade 8	54,000	60,806	180	N/A	Complied
Grade 9	64,800	64,838	180	N/A	Complied
Grade 10	64,800	64,838	180	N/A	Complied
Grade 11	64,800	64,838	180	N/A	Complied
Grade 12	64,800	64,838	180	N/A	Complied

<b>Charter Schools</b>	<b>1986-87 Minutes Requirement</b>	<b>2013-14 Actual Minutes</b>	<b>Traditional Calendar Days</b>	<b>Multitrack Calendar Days</b>	<b>Status</b>
Grade 9	64,800	65,725	180	N/A	Complied
Grade 10	64,800	65,725	180	N/A	Complied
Grade 11	64,800	65,725	180	N/A	Complied
Grade 12	64,800	65,725	180	N/A	Complied

*See the accompanying note to the other supplementary information.*

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

Year Ended June 30, 2014

*Chico Unified School District*

Page 2 of 2

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>FEDERAL PROGRAMS</b>			
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
Special Education Cluster			
Special Education - IDEA Basic Local Assistance	84.027	13379	\$ 1,400,291
Special Education - IDEA Preschool	84.173	13430	95,763
Special Education - IDEA Preschool Local Entitlement	84.027	13682	<u>136,234</u>
<b>Total Special Education Cluster</b>			<u>1,632,288</u>
NCLB - Title II, Part A, Improving Teacher Quality	84.367	14341	536,014
NCLB - Title I, Part A, Basic Grants	84.010	14329	2,209,139
Special Education - State Improvement Grant	84.323	14920	1,049
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	14894	98,676
NCLB - Advanced Placement (AP) and International Baccalaureate (IB) Test Fee Reimbursement	84.330B	14831	10,482
NCLB - Title III, Limited English Proficiency Student Program	84.365	14346	103,989
NCLB - Title V, Part B, Public Charter Schools	84.282A	14941	67,555
NCLB - Title IV, 21st Century Community Learning Centers	84.287C	Various	1,600,791
Direct Program			
Carol M. White Physical Education Program	84.215F		550,934
Readiness and Emergency Management for Schools	84.184E		<u>63,391</u>
<b>Total U.S. Department of Education</b>			<u>6,874,308</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	571,419
National School Lunch	10.555	13391	2,297,621
Summer Food Service Program Operations	10.559	13004	<u>147,325</u>
<b>Total Child Nutrition Cluster</b>			3,016,365
Child and Adult Care Food	10.558	13393	451,580
Pass Through Butte County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	36,900
Direct Program			
Farm to School Program	10.575		<u>22,849</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,527,694</u>
U.S. DEPARTMENT OF LABOR			
Direct Program			
Youthbuild	17.274		<u>427,313</u>
<b>Total Federal Programs</b>			10,829,315
NONMONETARY ASSISTANCE			
Food Donation	10.550		<u>272,589</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 11,101,904</u>

See the accompanying note to the other supplementary information.

**SCHEDULE OF FINANCIAL TRENDS  
AND ANALYSIS**

*Chico Unified School District*

<u>Year Ended June 30</u>	<u>(Budget) 2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>GENERAL FUND</b>				
<b>Revenues and Other</b>				
<b>Financial Sources</b>	\$ 104,349,810	\$ 102,111,918	\$ 98,234,606	\$ 100,055,138
Expenditures	108,723,267	104,757,504	101,555,506 *	102,588,320
Other uses and transfers out	100,000	144,975	216,042	172,952
<b>Total Outgo</b>	<u>108,823,267</u>	<u>104,902,479</u>	<u>101,771,548</u>	<u>102,761,272</u>
<b>Change in Fund Balance</b>	<u>\$ (4,473,457)</u>	<u>\$ (2,790,561)</u>	<u>\$ (3,536,942)</u>	<u>* \$ (2,706,134)</u>
<b>Ending Fund Balance</b>	<u>\$ 9,603,217</u>	<u>\$ 14,076,674</u>	<u>\$ 16,867,235</u>	<u>* \$ 20,404,177</u>
<b>Available Reserves</b>	<u>\$ 4,316,028</u>	<u>\$ 5,667,309</u>	<u>\$ 10,535,312</u>	<u>* \$ 13,736,553</u>
<b>Designated for Economic</b>				
<b>Uncertainties</b>	\$ 3,264,698	\$ 3,150,409	\$ 3,025,374	\$ 3,047,780
<b>Undesignated Fund Balance</b>	<u>\$ 1,051,330</u>	<u>\$ 2,516,900</u>	<u>\$ 7,509,938</u>	<u>* \$ 10,688,773</u>
<b>Available Reserves as a</b>				
<b>Percentage of Total Outgo</b>	<u>4%</u>	<u>5%</u>	<u>10%</u>	<u>* 13%</u>
<b>Total Long-Term Debt</b>	<u>\$ 63,785,708</u>	<u>\$ 66,528,577</u>	<u>\$ 69,387,672</u>	<u>\$ 54,890,702</u>
<b>Average Daily Attendance at P-2</b>	<u>11,215</u>	<u>11,383</u>	<u>11,477</u>	<u>11,365</u>

\* Restated for prior-period adjustment as of June 30, 2013.

The General Fund balance has decreased by \$6,237,503 over the past two years. The fiscal year 2014-15 budget projects a decrease of \$4,473,457 (31.8%). For a district this size, the state recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in three of the past three years and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long-term debt has increased by \$11,637,875 over the past two years.

Average daily attendance has increased by 18 over the past two years. The District anticipates ADA to decline by 168 during fiscal year 2014-15.

See the accompanying note to the other supplementary information.

**RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS**

*Chico Unified School District*

Year Ended June 30, 2014

	<b>General Fund</b>
<b>June 30, 2014 - Annual Financial and Budget Report Fund Balance</b>	\$ 13,644,456
ADJUSTMENTS INCREASING THE FUND BALANCE	
Understatement of due from other governments	<u>432,218</u>
<b>June 30, 2014 - Audited Financial Statement Fund Balance</b>	<b><u>\$ 14,076,674</u></b>

*See the accompanying note to the other supplementary information.*

**SCHEDULE OF CHARTER SCHOOLS**

Year Ended June 30, 2014

*Chico Unified School District*

Charter schools sponsored by the District that are included in the audit of the District:

Inspire School of Arts and Sciences

Charter schools sponsored by the District that are excluded from the audit of the District:

Chico Country Day School

Blue Oak Charter School

Forest Ranch Charter School

Nord Country School

Sherwood Montessori

Wildflower Open Classroom

*See the accompanying note to the other supplementary information.*

## **PURPOSE OF SCHEDULES**

### **Schedule of Average Daily Attendance**

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

### **Schedule of Instructional Time**

The District received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District did not meet or exceed its local control funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46201 through 46206.

### **Schedule of Expenditures of Federal Awards**

This schedule is prepared on the modified accrual basis of accounting. Nonmonetary assistance is reported in the schedule at the fair market value of the food commodities received and disbursed. OMB Circular A-133 requires disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements.

### **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.

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

### **Schedule of Charter Schools**

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

**OTHER REPORTS SECTION**





MATSON  
& ISOM

**INDEPENDENT AUDITORS' 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**

To the Board of Trustees  
Chico Unified School District  
Chico, 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 the Chico Unified School District (the District) as of and for the year ended June 30, 2014; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 12, 2014.

***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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies (see item 2014-001).

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

**INDEPENDENT AUDITORS' 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***

Continued

**The District's Response to Findings**

The District's response to the 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 the financial statements and, accordingly, we express no opinion on it.

**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.

*Matson and Isom*

December 12, 2014  
Chico, California



MATSON  
& ISOM

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees  
Chico Unified School District  
Chico, California

**Report on Compliance for Each Major Federal Program**

We have audited Chico Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Continued

**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 as a basis for designing 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 OMB Circular A-133, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Matson and Isom*

December 12, 2014  
Chico, California



MATSON  
& ISOM

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees  
Chico Unified School District  
Chico, California

### **Compliance**

We have audited the Chico Unified School District's (the District) compliance with the types of state compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. The applicable state compliance requirements are identified in the table below.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel. Those standards and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, 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.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

	<b>Procedures in Audit Guide</b>	<b>Procedures Performed</b>
Attendance reporting	6	Yes
Teacher certification and misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional time:		
School districts	10	Yes
Instructional materials:		
General requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
Classroom teacher salaries	1	Yes
Early retirement incentive program	4	No
Gann limit calculation	1	Yes
School accountability report card	3	Yes
Juvenile court schools	8	Not applicable
Local control funding formula certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After school education and safety program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Education protection account funds	1	Yes
Common core implementation funds	3	Yes
Unduplicated local control funding formula pupil counts	3	Yes
Charter schools:		
Contemporaneous records of attendance	8	Yes
Mode of instruction	1	Yes
Nonclassroom-based instruction/independent study	15	No
Determination of funding for nonclassroom-based instruction	3	No
Annual instructional minutes - classroom based	4	Yes
Charter school facility grant program	1	No

Continuation education steps (f)(1) and (f)(2) were not performed because students do not receive apportionment attendance for work experience. Continuation education step (f)(3) was not performed because students do not engage in independent study.

Since the District did not participate in the following programs during 2013-14, all steps related to them were not performed:

    Early retirement incentive program

## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Continued

Testing was not performed for nonclassroom-based instruction/independent study because the ADA for this program was below the level which requires testing. Since the District did not sponsor any charter schools that generated more than 20% of total ADA through nonclassroom-based instruction (independent study), all steps related to the determination of funding for nonclassroom-based instruction were not performed.

Since the District did not sponsor any charter schools that received the charter school facility grant program funding, the step related to the charter school facility grant program was not performed.

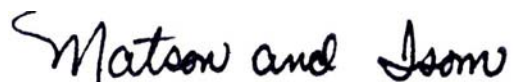
### ***Opinion on State Compliance***

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance with the state laws and regulations referred to above that are required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14* and which are described in the accompanying schedule of findings and questioned costs as items 2014-002 and 2014-003. Our opinion on state compliance is not modified with respect to these matters.

The District's response to the noncompliance 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.



December 12, 2014  
Chico, California

**FINDINGS AND QUESTIONED COSTS SECTION**



**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Chico Unified School District*

**SECTION I  
SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	
CFDA No. 10.553	School Breakfast
CFDA No. 10.555	National School Lunch
CFDA No. 10.559	Summer Food Service Program Operations
CFDA No. 84.010	NCLB – Title I, Part A, Basic Grants
CFDA No. 17.274	Youthbuild
Threshold for distinguishing types A and B programs:	\$333,057
Auditee qualified as low-risk auditee?	No

**STATE AWARDS**

Compliance over state programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Chico Unified School District*

**SECTION II  
FINANCIAL STATEMENTS AUDIT**

**INTERNAL CONTROL (Signature Stamps)**

30000 (2014-001)

**Significant Deficiency**

**Condition**

During our testing of payroll account distributions, we identified that signature stamps are in use at some of the school sites to provide approvals for payroll account distributions.

**Criteria**

Internal controls should be in place to provide reasonable assurance that all approved payroll account distributions are original approvals by authorized personnel prior to processing and disbursing funds.

**Effect**

Without strengthening internal controls over the use of signature stamps, District resources may not be properly safeguarded and may be disbursed for unauthorized expenditures.

***Recommendation***

We recommend that authorized personnel approve payroll account distributions with original approvals, rather than by using signature stamps.

***Response***

The District's administration will implement procedures during the 2014-15 fiscal year to comply with the recommendation.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Chico Unified School District*

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Chico Unified School District*

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

**STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)**

40000 (2014-002)

**State Compliance**

**Condition**

During our testing over compliance of the unduplicated Local Control Funding Formula (LCFF) pupil counts, using a random sample to achieve a high level of assurance for each population, we identified the following:

Eight of 49 free and reduced-price meal (FRPM) students selected for testing did not have a National School Lunch Program (NSLP) eligibility application, or other documentation, to support the student's eligibility for the designation on file.

Six of 21 English Learners selected for testing did not have a parent or guardian signed notification letter or a qualifying California English Language Development Test (CELDT) on file. In addition, there was no documentation on file to support a District-determined English Learner status.

The above students did not qualify for the unduplicated LCFF pupil count as of the October 2, 2013, census date, however, they were included in the California Longitudinal Pupil Achievement Data System (CalPADS) 1.18 – FRPM/English Learner/Foster Youth – Student List.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Chico Unified School District*

Results of testing and extrapolation of the identified errors to each population are as follows:

	<b>FRPM</b>	<b>EL</b>	<b>FRPM and EL</b>	<b>Totals</b>
<b>CHAPMAN SCHOOL</b>				
<b>SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	204	-	125	329
Audit adjustment - known error	-	-	-	-
Audit adjustment - extrapolation	-	-	-	-
<b>Adjusted Total Unduplicated Pupil Counts</b>	<b>204</b>	<b>-</b>	<b>125</b>	<b>329</b>
<b>Certified Enrollment Count</b>				<b>369</b>
<b>JOHN A. MCMANUS SCHOOL</b>				
<b>SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	278	4	125	407
Audit adjustment - known error	-	-	-	-
Audit adjustment - extrapolation	-	-	-	-
<b>Adjusted Total Unduplicated Pupil Counts</b>	<b>278</b>	<b>4</b>	<b>125</b>	<b>407</b>
<b>Certified Enrollment Count</b>				<b>481</b>
<b>NEAL DOW SCHOOL</b>				
<b>SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	200	1	20	221
Audit adjustment - known error	-	-	-	-
Audit adjustment - extrapolation	-	-	-	-
<b>Adjusted Total Unduplicated Pupil Counts</b>	<b>200</b>	<b>1</b>	<b>20</b>	<b>221</b>
<b>Certified Enrollment Count</b>				<b>412</b>

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Chico Unified School District*

	<b>FRPM</b>	<b>EL</b>	<b>FRPM and EL</b>	<b>Totals</b>
<b>SIERRA VIEW SCHOOL</b>				
<b>SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	143	7	7	157
Audit adjustment - known error	-	(1)	-	(1)
Audit adjustment - extrapolation	-	(1)	-	(1)
<b>Adjusted Total Unduplicated Pupil Counts</b>	<b>143</b>	<b>5</b>	<b>7</b>	<b>155</b>
<b>Certified Enrollment Count</b>				<b>651</b>
<b>MARSH JUNIOR HIGH SCHOOL</b>				
<b>SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	231	2	32	265
Audit adjustment - known error	(4)	-	-	(4)
Audit adjustment - extrapolation	(58)	-	-	(58)
<b>Adjusted Total Unduplicated Pupil Counts</b>	<b>169</b>	<b>2</b>	<b>32</b>	<b>203</b>
<b>Certified Enrollment Count</b>				<b>575</b>
<b>CHICO HIGH SCHOOL</b>				
<b>SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	660	21	113	794
Audit adjustment - known error	(4)	(5)	-	(9)
Audit adjustment - extrapolation	(96)	(3)	-	(99)
<b>Adjusted Total Unduplicated Pupil Counts</b>	<b>560</b>	<b>13</b>	<b>113</b>	<b>686</b>
<b>Certified Enrollment Count</b>				<b>1,776</b>

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Chico Unified School District*

	<u>FRPM</u>	<u>EL</u>	<u>FRPM and EL</u>	<u>Totals</u>
<b>DISTRICT-WIDE SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	4,849	104	1,080	6,033
California Department of Education adjustment				11
County Office of Education adjustment - District funded county program students				14
Audit adjustment - known error	(8)	(6)	-	(14)
Audit adjustment - extrapolation	(154)	(4)	-	(158)
<b>Adjusted Total Unduplicated Pupil Counts</b>	<u>4,687</u>	<u>94</u>	<u>1,080</u>	<u>5,886</u>
Certified enrollment count				11,871
County Office of Education adjustment				14
<b>Total Enrollment Count</b>				<u>11,885</u>

**Criteria**

Pursuant to *California Education Code*, Section 42238.02(b)(2), the District shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English Learner pupil-level records for enrolled pupils using CalPADS. All support for these designations must be kept on file.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

*Chico Unified School District*

June 30, 2014

**Effect**

The unduplicated LCFE pupil count reported in the CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List was overstated by 172 students. As a result, the District’s 2013-14 second principal apportionment was overstated by \$31,042, calculated as follows:

<b>EFFECT OF UNDUPLICATED PUPIL COUNT ADJUSTMENTS ON STATE AID</b>	
<b>Certified Unduplicated Pupil Percentage</b>	<u>0.5097</u>
<b>Adjusted Unduplicated Pupil Percentage</b>	<u>0.4952</u>
Target supplemental grant funding as originally reported	\$ 9,091,755
Audit adjustment	<u>(258,643)</u>
<b>Adjusted Target Supplemental Grant Funding</b>	<u>\$ 8,833,112</u>
Total audit adjustments	\$ 258,643
2013-14 statewide gap funding rate	<u>0.120016957</u>
<b>Overstatement of 2013-14 Second Principal Apportionment</b>	<u>\$ 31,042</u>

The District is required to return funding totaling \$31,042 from the second principal apportionment to the California Department of Education.

***Recommendation***

We recommend that funding totaling \$31,042 be returned to the California Department of Education. We also recommend that the District review the annual CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List as of the census date to determine that the unduplicated pupil count is accurate and properly supported by underlying documentation prior to submitting this data to CalPADS.

***Response***

The District’s administration will adopt procedures during the 2014-15 fiscal year to comply with the recommendation, and will return funding totaling \$31,042 to the California Department of Education.



**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

*Chico Unified School District*

June 30, 2014

**STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)**

40000 (2014-003)

**State Compliance**

**Condition**

During our testing over compliance of the unduplicated Local Control Funding Formula (LCFF) pupil counts for Inspire School of Arts and Sciences (the Charter School), using a random sample to achieve a high level of assurance for each population, we identified the following:

One of 28 free and reduced-price meal (FRPM) students selected for testing did not have a National School Lunch Program (NSLP) eligibility application, or other documentation, to support the student’s eligibility for the designation on file.

One of one English Learners selected for testing did not have a parent or guardian signed notification letter or a qualifying California English Language Development Test (CELDT) on file. In addition, there was no documentation on file to support a charter school-determined English Learner status.

One of one students selected for testing that were reported as both free and reduced-price meal students and English Learners, did not have support on file for at least one of these designations.

The above students did not qualify for the unduplicated LCFF pupil count as of the October 2, 2013, census date, however, they were included in the California Longitudinal Pupil Achievement Data System (CalPADS) 1.18 – FRPM/English Learner/Foster Youth – Student List.

Results of testing and extrapolation of the identified errors to each population are as follows:

	<b>FRPM</b>	<b>EL</b>	<b>FRPM and EL</b>	<b>Totals</b>
<b>INSPIRE SCHOOL OF ARTS AND SCIENCES SCHEDULE OF UNDUPLICATED PUPIL COUNTS</b>				
Certified total unduplicated pupil count	143	1	1	145
Audit adjustment - known error	(1)	(1)	(1)	(3)
Audit adjustment - extrapolation	(2)	-	-	(2)
<b>Adjusted Total Unduplicated Pupil Counts</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>140</b>
<b>Certified Enrollment Count</b>				<b>433</b>

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

*Chico Unified School District*

June 30, 2014

**Criteria**

Pursuant to *California Education Code*, Section 42238.02(b)(2), the Charter School shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English Learner pupil-level records for enrolled pupils using CalPADS. All support for these designations must be kept on file.

**Effect**

The unduplicated LCFE pupil count reported in the CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List was overstated by five students. As a result, the Charter School’s 2013-14 second principal apportionment was overstated by \$961, calculated as follows:

EFFECT OF UNDUPLICATED PUPIL COUNT ADJUSTMENTS ON STATE AID	
<b>Certified Unduplicated Pupil Percentage</b>	0.3349
<b>Adjusted Unduplicated Pupil Percentage</b>	0.3233
Target supplemental grant funding as originally reported	\$ 231,146
Audit adjustment	(8,006)
<b>Adjusted Target Supplemental Grant Funding</b>	<b>\$ 223,140</b>
Total audit adjustments	\$ 8,006
2013-14 statewide gap funding rate	0.120016957
<b>Overstatement of 2013-14 Second Principal Apportionment</b>	<b>\$ 961</b>

The Charter School is required to return funding totaling \$961 from the second principal apportionment to the California Department of Education.

***Recommendation***

We recommend that funding totaling \$961 be returned to the California Department of Education. We also recommend that the Charter School review the annual CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List as of the census date to determine that the unduplicated pupil count is accurate and properly supported by underlying documentation prior to submitting this data to CalPADS.

***Response***

The Charter School’s administration will adopt procedures during the 2014-15 fiscal year to comply with the recommendation, and will return funding totaling \$961 to the California Department of Education.

**CORRECTIVE ACTION PLAN**

June 30, 2014

*Chico Unified School District*

Not applicable: there are no current-year findings related to federal awards.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Chico Unified School District*

**INTERNAL CONTROL (Cash Receipts - Cash in County Treasury)**

30000 (2013-001)

**Significant Deficiency**

**Condition**

Cash receipts were not deposited in a timely manner into the county treasury.

**Criteria**

Internal controls should be in place to provide that all cash and checks received are deposited on a monthly basis to the county treasury to maximize interest earnings.

**Effect**

Without strengthening internal controls over cash receipts, assets may not be properly safeguarded. Additionally, clearing account funds and cash on hand do not accrue their eligible county treasury interest and are not available for necessary cash disbursements.

***Recommendation***

Procedures should be implemented to strengthen internal controls over cash receipts.

***Current Status***

Fully implemented.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Chico Unified School District*

**INTERNAL CONTROL (District Bank Accounts)**

30000 (2013-002)

**Material Weakness**

**Condition**

Monthly bank reconciliations were not prepared in a timely manner for the cash in county treasury accounts. Lack of monthly bank reconciliations resulted in a delay of submitting unaudited actual data to Butte County Office of Education and prevented proper cash flow monitoring and projections. The District did not prepare and submit the Unaudited Actuals Financial Report for fiscal year 2012-13 to the Governing Board for approval until November 20, 2013.

**Criteria**

Internal controls should be in place to provide reasonable assurance that all cash accounts are reconciled on a monthly basis. *California Education Code*, Section 42100(a) requires that on or before September 15, the governing board of each school district shall approve, in a format prescribed by the Superintendent of Public Instruction, an annual statement of all receipts and expenditures (Unaudited Actuals) of the District for the preceding fiscal year and shall file the statement, along with the statement received pursuant to subdivision (b), with the County Superintendent of Schools.

**Effect**

Without proper internal controls over bank reconciliations, the District did not comply with the requirements of *California Education Code*, Section 42100(a) or provide accurate cash projections in a timely manner.

***Recommendation***

The District should prepare bank reconciliations each month for all cash in county treasury accounts. These reconciliations should be reviewed for accuracy and approved by management. Year-end closing procedures should be implemented that ensure that the Governing Board of the District will have the Unaudited Actuals Financial Report to approve on or before the September 15 due date.

***Current Status***

Fully implemented.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Chico Unified School District*

**ATTENDANCE (Inspire School of Arts and Sciences)**

10000 (2013-003)

**Significant Deficiency**

**Condition**

Inspire School of Arts and Sciences' (the Charter School) procedures do not require attendance registers to be signed weekly. Numerous teachers did not turn in signed weekly attendance registers on a regular basis. The Charter School was able to provide us with alternative documentation of attendance. Since students attend multiple classes in any given day, we were able to verify student attendance by reviewing a student attendance log by period and confirm attendance or absence by tracing to a period where teachers had turned in signed attendance registers.

**Criteria**

Pursuant to *California Education Code*, Section 44809 and *California Code of Regulations*, Title 5, Sections 400-401, schools must maintain records of pupil attendance. These written attendance records should be prepared daily and signed weekly by the teacher who instructed the students. The attendance records should be properly stored to ensure that the records are available to support attendance days claimed.

**Effect**

Without strengthening internal controls over attendance reporting, average daily attendance may not be accurately reported to the California Department of Education.

***Recommendation***

We recommend that the Charter School maintain written records of attendance that are prepared daily and signed weekly by the teacher who instructed the students. The records should be properly stored to ensure that records are available to support attendance days claimed.

***Current Status***

Fully implemented.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Chico Unified School District*

**ATTENDANCE**

10000 (2013-004)

**Significant Deficiency**

**Condition**

Average daily attendance (ADA) reported to the California Department of Education in the Second Period Report of School District Attendance was understated by 1.44 ADA.

**Criteria**

ADA reported to the California Department of Education in the Report of School District Attendance should be supported by an accurate summary of days of apportionment attendance and should be reviewed for accuracy by someone independent of the preparation of the reports.

**Effect**

Due to the understatement of 1.44 ADA in the Second Period Report of School District Attendance, the principal apportionment for 2012-13 is understated by \$7,585. This amount is calculated by multiplying the 1.44 ADA at Second Period by \$5,267.33, the deficit base revenue limit per ADA. The District is eligible to receive an additional \$7,585 in principal apportionment funding from the California Department of Education.

***Recommendation***

We recommend that the attendance worksheets, prepared to summarize the days of apportionment attendance, be reviewed for accuracy prior to the preparation of the Report of School District Attendance. In addition, we recommend that the Second Period Report of School District Attendance be amended for the error noted above.

***Current Status***

Fully implemented.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Chico Unified School District*

**INSTRUCTIONAL MATERIALS**

70000 (2013-005)

**Significant Deficiency**

**Condition**

The District did not provide a ten-day notice of the public hearing to make a determination whether each pupil in the District would have enough textbooks or other instructional materials as required by *California Education Code*, Section 60119. The notice of the public hearing was posted only nine days before the public hearing.

**Criteria**

Eligibility to qualify for an allowance from the Instructional Materials Realignment Program includes compliance with the requirements established by *California Education Code*, Section 60119 (as revised by chapter 900, statutes of 2004) and CCR, title 5, Section 9531(c).

**Effect**

The District is not in compliance with *California Education Code*, Section 60119 (as revised by chapter 900, statutes of 2004) and CCR, title 5, Section 9531(c). The District is required to return to the California Department of Education funding totaling \$717,089 that was received from the Instructional Materials Funding Realignment Program.

**Recommendation**

Compliance with the provisions of *California Education Code*, Section 60119, is a condition of receiving funds under the Instructional Materials Funding Realignment Program. We recommend that the District return to the California Department of Education funding totaling \$717,089 that was received from the Instructional Materials Funding Realignment Program. In addition, we recommend that the District adopt procedures to ensure that the notice of the public hearing is posted ten days prior to the public hearing.

**Current Status**

Fully implemented.