

**CHICO UNIFIED SCHOOL DISTRICT  
COUNTY OF BUTTE  
CHICO, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2015**

**TITTLE & COMPANY, LLP**

Chico Unified School District  
 Audit Report  
 For The Year Ended June 30, 2015

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Audit Report  
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## Financial Section



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

## **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 the Chico Unified School District ("the District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chico Unified School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2015, Chico Unified School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information 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 Chico Unified School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 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 4, 2015 on our consideration of Chico Unified School 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 Chico Unified School District's internal control over financial reporting and compliance.

*Tittle & Company, LLP*

Chico, CA  
December 4, 2015

**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

This section of the Chico Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the Independent Auditors' Report presented on pages 1 through 3, 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 the 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 statements by providing information about the District's most significant funds.

**Financial Highlights**

- Total net position was \$6,807,489 at June 30, 2015. This was a decrease of \$98,851,507.
- Overall revenues were \$128,028,440 and were higher than expenditures of \$127,067,372 by \$961,068.
- Capital assets, net of depreciation, increased by \$5,150,082 primarily due to the completion of current year projects netted against depreciation expense.
- Long-term debt increased by \$79,937,377, which is attributed to recording of the District's proportionate share of the unfunded pension obligation in the State Teachers' and Public Employees' retirement systems offset by scheduled payments on debt obligations, including the general obligation bonds and early retirement incentives.
- The District maintains sufficient reserves for a district of its size. It meets the state required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfer out, and other uses (total outgo). During the fiscal year, General Fund expenditures and other financing uses totaled \$110,562,116. At June 30, 2015, the District had available reserves of \$4,619,032 in the General Fund, which represents a reserve of 4.3%.
- Governmental Accounting and Standards Board's (GASB) accounting standard Statement 68 requires recognition of the District's proportionate share of the unfunded net pension liability in the State Teachers' (CalSTRS) and Public Employees' (CalPERS) retirement plans. Districts must also report their proportionate share of accrual-basis pension expense, and their proportionate share of deferred items for unamortized changes in the plans' total pension liability due to factors such as changes in actuarial assumptions or differences between actuarial assumptions and actual experience. The District's proportionate share of the net pension liability in these plans as of June 30, 2015, was \$82,921,398. The financial information for the year ending June 30, 2014, has not been restated to reflect this change in accounting practice.

**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, district-wide and funds.

- District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. They are comprised of the remaining statements.



**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

- Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like a business.
- 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 financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the District-wide 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 can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets 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, we divide the District into two kinds of activities:

Governmental Activities

The basic services provided by the District, such as regular and special education, adult 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 is also included here, but is financed by a combination of state and federal contracts and grants, as well as 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 major governmental funds of the Chico Unified School District are the General Fund, the Building Fund and the Capital Facilities Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the 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 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.

**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

Proprietary Funds

Services for which the District charges a fee are generally reported in the proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as the government-wide financial statements; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

Fiduciary Funds

The District is the trustee, or fiduciary, for its student activity funds. 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 its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**Financial Analysis of the District as a Whole**

Net Position

The District's net position was \$6,807,489 for the fiscal year ended June 30, 2015. Of this amount, (\$89,217,894) was unrestricted. The restricted net position is reported separately if it is not available for day-to-day operations or its use is constrained to a particular purpose by statutes, rules or other entities with authority over the district.

The District's net position decreased by \$98,851,507 during the fiscal year 2014-15. This decrease is due to the recording of the District's proportionate share of the unfunded pension obligation of the CalSTRS and CalPERS retirement plans.

**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

Table 1: Statement of Net Position - Governmental Activities

	June 30		Total Percentage Change
	2014	2015	
<b>ASSETS</b>			
Cash and Investments	\$ 52,171,385	\$ 51,299,241	-1.7%
Receivables	10,900,826	4,456,927	-59.1%
Inventories	242,582	209,107	-13.8%
Prepaid Expenditures	250,712	1,258,336	401.9%
Net OPEB Asset	1,235,434	1,434,143	16.1%
Capital Assets, net	117,022,432	122,172,514	4.4%
Total Assets	<u>181,823,371</u>	<u>180,830,268</u>	-0.5%
Deferred Outflows of Resources	<u>40,995</u>	<u>6,484,569</u>	15718.0%
<b>LIABILITIES</b>			
Overdraft in County Treasury	761,501	739,248	-2.9%
Accounts Payable and Other Liabilities	8,756,959	10,566,890	20.7%
Unearned Revenue	158,333	501,103	216.5%
Long-term Debt Outstanding	66,528,577	146,465,954	120.2%
Total Liabilities	<u>76,205,370</u>	<u>158,273,195</u>	107.7%
Deferred Inflows of Resources	<u>-</u>	<u>22,234,153</u>	100.0%
<b>NET POSITION</b>			
Net Investment in Capital Assets	64,593,106	66,899,185	3.6%
Restricted	43,764,477	29,126,198	-33.4%
Unrestricted	(2,698,587)	(89,217,894)	3206.1%
Total Net Position	<u>\$ 105,658,996</u>	<u>\$ 6,807,489</u>	-93.6%

**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

Table 2: Changes in Net Position from Operating Results-Governmental Activities

	June 30		Total Percentage Change
	2014	2015	
<b>REVENUES</b>			
Program and General Revenues:			
Program Revenues			
Charges for Services	\$ 1,254,998	\$ 1,887,260	50.4%
Operating Grants and Contributions	25,069,265	26,488,782	5.7%
General Revenues			
Unrestricted Federal & State Sources	58,396,440	57,180,528	-2.1%
Property Taxes	38,738,987	37,682,138	-2.7%
Other	3,328,123	4,789,732	43.9%
Total Revenues	<u>126,787,813</u>	<u>128,028,440</u>	1.0%
<b>EXPENSES</b>			
Instruction	74,221,667	77,630,885	4.6%
Instruction-related Services	10,310,147	12,905,396	25.2%
Pupil Services	14,913,326	15,487,031	3.8%
General Administration	7,242,689	7,053,259	-2.6%
Plant Services	9,541,737	10,264,228	7.6%
Ancillary Services	504,544	503,098	-0.3%
Community Services	18,644	25,246	35.4%
Enterprise Activities	83,224	44,374	-46.7%
Other Outgo	3,226,558	3,153,855	-2.3%
Total Expenses	<u>120,062,536</u>	<u>127,067,372</u>	5.8%
Change in Net Position	<u>\$ 6,725,277</u>	<u>\$ 961,068</u>	<u>-85.7%</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Governmental Activities

- The cost of the District's governmental activities for the year was \$127,067,372.
- Some of the cost was financed by the users of the District's programs (\$1,887,260).
- The federal and state governments subsidized certain programs with grants and contributions (\$26,488,782).
- Interest and investment income totaled \$405,039.
- Most of the District's costs were financed by District (\$37,682,138) and Federal and State (\$57,180,528) taxpayers, and other local and miscellaneous earnings (\$4,789,732).

Table 3 presents 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 is placed on the District's general revenues.

Table 3: Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	June 30			June 30		
	2014	2015		2014	2015	
Instruction	\$ 74,221,667	\$ 77,630,885	4.6%	\$ 59,415,668	\$ 60,163,965	1.3%
Instruction-related Services	10,310,147	12,905,396	25.2%	8,946,608	11,067,103	23.7%
Pupil Services	14,913,326	15,487,031	3.8%	8,592,842	8,964,654	4.3%
General Administration	7,242,689	7,053,259	-2.6%	3,957,698	5,654,105	42.9%
Plant Services	9,541,737	10,264,228	7.6%	9,316,131	9,420,090	1.1%
Ancillary Services	504,544	503,098	-0.3%	417,816	454,584	8.8%
Community Services	18,644	25,246	35.4%	18,644	25,246	35.4%
Enterprise Activities	83,224	44,374	-46.7%	83,224	44,118	-47.0%
Other Outgo	3,226,558	3,153,855	-2.3%	2,989,642	2,897,465	-3.1%
Totals	<u>\$ 120,062,536</u>	<u>\$ 127,067,372</u>	<u>5.8%</u>	<u>\$ 93,738,273</u>	<u>\$ 98,691,330</u>	<u>5.3%</u>

Governmental Funds

As the District completed the year, its governmental funds report combined fund balances of \$46,470,743; a 15% decrease over last year's ending fund balances of \$54,981,257.

Table 4: Governmental Fund Balances

	2014	2015	Increase (Decrease)
General	\$ 14,076,674	\$ 12,877,217	\$ (1,199,457)
Charter Schools	1,000,873	884,429	(116,444)
Building	12,904,885	7,564,606	(5,340,279)
Cafeteria	-	67,274	67,274
Capital Facilities	12,995,221	14,493,235	1,498,014
County School Facilities	6,452,499	3,912,816	(2,539,683)
Special Reserve Capital Projects	1,484,209	946,973	(537,236)
Bond Interest and Redemption	5,819,827	5,474,841	(344,986)
Debt Service	247,069	249,352	2,283
Total	<u>\$ 54,981,257</u>	<u>\$ 46,470,743</u>	<u>\$ (8,510,514)</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

The decrease in the General Fund is related to current year expenditures exceed current year revenues.

The decrease in the Charter Schools Fund is related to current year expenditures exceeding current year revenues.

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

The increase in the Cafeteria Fund is due to a contribution from the General Fund to cover prepaid inventory costs.

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

The decrease in the County School Facilities Fund is the result of costs associated with the completion of Lincoln Hall at Chico High School, the completion of the Yale Building at Pleasant Valley High School, and the preliminary construction of the March Jr. High School Multi-Purpose Building.

The decrease in the Special Reserve Capital Projects Fund is due to the Bidwell Jr. High School and McManus sewer project, as well as projects associated with Phase I ADA components of the Facilities Master Plan.

The decrease in the Bond Interest and Redemption Fund is due to scheduled bond debt repayment exceeding current year tax collections.

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. The budget amendments for the year typically fell into the following categories:

- Adjustment of beginning fund balances.
- Adjustment of revenue to actual enrollment and ADA data.
- 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.

The District's original and final budgets compared with actual operations are provided in the budgetary comparison schedule for the General Fund.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$1,674,437. The actual results for the year show an increase in fund balance of \$665,658.

This increase is a result of:

- Site allocations were not fully spent by June 30.
- Federal allocations were not fully spent by June 30.
- Transfer Out to the Cafeteria Fund was less than anticipated.

Capital Asset and 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

By June 30, 2015, the District had invested \$122,172,514 in a broad range of capital assets including land, buildings and improvements, and equipment and vehicles (See Table 5). This amount represents an increase of \$5,150,082, or 4.4%, from last year. This increase is due primarily to depreciation expense netted against capital asset additions of \$9,479,662, which consists of various building projects, site improvements, site renovations, and vehicle and equipment purchases. On June 30, work was still in progress on a number of projects.

**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

Table 5: Capital Assets - Governmental Funds

	June 30		Total Percentage Change
	2014	2015	
Land	\$ 11,825,696	\$ 11,979,446	1.3%
Site Improvements	8,293,190	9,746,216	17.5%
Buildings	138,148,700	165,061,031	19.5%
Equipment and Vehicles	5,939,483	7,119,110	19.9%
Work in Progress	27,670,189	7,451,117	-73.1%
Subtotal	191,877,258	201,356,920	4.9%
Less: Accumulated depreciation	(74,854,826)	(79,184,406)	5.8%
Total	<u>\$ 117,022,432</u>	<u>\$ 122,172,514</u>	<u>4.4%</u>

Long-Term Debt

General obligation bonds were issued to fund voter-approved facilities projects. This liability has been affected by scheduled debt service payments, which are netted with the accrued interest due on the capital appreciation bond portion of the debt.

The net pension liability represents the District's prorated share of the unfunded pension liability that exists within the CalSTRS and CalPERS retirement plans. This is the first year that this liability is required to be recognized in accordance with Governmental Accounting Standards Board's (GASB) accounting Statement 68. Prior year has not been restated to recognize this obligation.

The Net OPEB Obligation is the difference between the annual required contribution that the district needs to make to fund future retiree health benefits for current employees and what is actually paid for health premiums for the retiree group. The annual required contribution, as determined by the actuary, was \$2,565,305. The district paid \$2,786,042 for retiree health premiums.

Compensated absences decreased by \$59,489 due to administration encouraging staff to utilize vacation leave.

The District made normally scheduled payments on the previously issued general obligation bonds, capital lease, certificates of participation, and early retirement incentives.

Table 6: Long-Term Debt - Governmental Funds

	June 30		Total Percentage Change
	2014	2015	
Compensated Absences	\$ 504,875	\$ 445,386	-11.8%
General Obligation Bond	61,695,000	59,600,000	-3.4%
Bond Issue Premiums	2,326,777	2,235,372	-3.9%
Capital Lease	418,429	390,647	-6.6%
Certificates of Participation	935,000	650,000	-30.5%
Early Retirement Incentives	648,496	223,151	-65.6%
Net Pension Liability	-	82,921,398	100.0%
Total	<u>\$ 66,528,577</u>	<u>\$ 146,465,954</u>	<u>120.2%</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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 2014-15 state budget includes the second year of the new funding formula for school districts. This Local Control Funding Formula (LCFF) provides the 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, taxpayer, 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, contact:

Kevin Bultema  
Assistant Superintendent, Business Services  
Chico Unified School District  
1163 East 7<sup>th</sup> Street  
Chico, California 95928  
(530) 891-3000 x112



## Basic Financial Statements

**CHICO UNIFIED SCHOOL DISTRICT**  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 51,299,241
Receivables	4,456,927
Stores	209,107
Prepaid Expenses	1,258,336
Net OPEB Asset	1,434,143
Capital Assets:	
Land	11,979,446
Improvements	9,746,216
Buildings	165,061,031
Equipment	7,119,110
Work in progress	7,451,117
Less Accumulated Depreciation	(79,184,406)
Total Assets	<u>180,830,268</u>
Deferred Outflows of Resources	6,484,569
<b>LIABILITIES</b>	
Overdraft in County Treasury	739,248
Accounts Payable and Other Current Liabilities	10,566,890
Unearned Revenue	501,103
Long-Term Liabilities:	
Due Within One Year	3,404,116
Due in More Than One Year	143,061,838
Total Liabilities	<u>158,273,195</u>
Deferred Inflows of Resources	22,234,153
<b>NET POSITION</b>	
Net Investment in Capital Assets	66,899,185
Restricted for:	
Capital Projects	18,406,051
Debt Services	5,724,193
Educational Programs	4,995,954
Unrestricted	(89,217,894)
Total Net Position	<u>\$ 6,807,489</u>

The accompanying notes are an integral part of this statement.

**CHICO UNIFIED SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 77,630,885	\$ 865,361	\$ 16,601,559	\$ (60,163,965)
Instruction-Related Services:				
Instructional Supervision and Administration	1,963,522	8,380	833,419	(1,121,723)
Instructional Library, Media and Technology	3,058,104	19,098	313,643	(2,725,363)
School Site Administration	7,883,770	40,301	623,452	(7,220,017)
Pupil Services:				
Home-to-School Transportation	2,267,987	163	14,561	(2,253,263)
Food Services	4,677,686	695,572	3,682,512	(299,602)
All Other Pupil Services	8,541,358	117,418	2,012,151	(6,411,789)
General Administration:				
Centralized Data Processing	1,348,635	50	714	(1,347,871)
All Other General Administration	5,704,624	108,644	1,289,746	(4,306,234)
Plant Services	10,264,228	309	843,829	(9,420,090)
Ancillary Services	503,098	1,886	46,628	(454,584)
Community Services	25,246	--	--	(25,246)
Enterprise Activities	44,374	--	256	(44,118)
Interest on Long-Term Debt	2,303,644	--	--	(2,303,644)
Other Outgo	850,211	30,078	226,312	(593,821)
Total Governmental Activities	\$ 127,067,372	\$ 1,887,260	\$ 26,488,782	(98,691,330)
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				30,574,674
Taxes Levied for Debt Service				4,277,672
Taxes Levied for Other Specific Purposes				2,829,792
Federal and State Aid Not Restricted to Specific Purposes				57,180,528
Interest and Investment Earnings				405,039
Interagency Revenues				145,090
Miscellaneous				4,239,603
Total General Revenues				99,652,398
Change in Net Position				961,068
Net Position-Beginning, As Restated				5,846,421
Net Position-Ending				\$ 6,807,489

The accompanying notes are an integral part of this statement.

**CHICO UNIFIED SCHOOL DISTRICT**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	General Fund	Building Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 16,174,561	\$ 8,443,148
Cash on Hand and in Banks	116,950	--
Cash in Revolving Fund	25,200	--
Accounts Receivable	3,414,936	8,069
Due from Other Funds	270,626	1,500
Stores Inventories	143,669	--
Prepaid Expenditures	1,252,380	--
Total Assets	<u>\$ 21,398,322</u>	<u>\$ 8,452,717</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Overdraft in County Treasury	\$ --	\$ --
Accounts Payable	7,955,704	887,301
Due to Other Funds	199,770	810
Unearned Revenue	365,631	--
Total Liabilities	<u>8,521,105</u>	<u>888,111</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	25,200	--
Stores Inventories	143,669	--
Prepaid Items	1,252,380	--
Restricted Fund Balances	4,044,250	7,564,606
Assigned Fund Balances	2,792,683	--
Unassigned:		
Reserve for Economic Uncertainty	3,316,863	--
Other Unassigned	1,302,172	--
Total Fund Balance	<u>12,877,217</u>	<u>7,564,606</u>
Total Liabilities and Fund Balances	<u>\$ 21,398,322</u>	<u>\$ 8,452,717</u>

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,475,683	\$ 12,014,797	\$ 51,108,189
42,535	6,227	165,712
--	--	25,200
--	1,033,922	4,456,927
--	199,770	471,896
--	65,438	209,107
--	5,956	1,258,336
<u>\$ 14,518,218</u>	<u>\$ 13,326,110</u>	<u>\$ 57,695,367</u>
\$ --	\$ 739,248	\$ 739,248
17,825	651,547	9,512,377
7,158	264,158	471,896
--	135,472	501,103
<u>24,983</u>	<u>1,790,425</u>	<u>11,224,624</u>
--	--	25,200
--	65,438	209,107
--	5,956	1,258,336
14,493,235	9,706,831	35,808,922
--	1,757,460	4,550,143
--	--	3,316,863
--	--	1,302,172
<u>14,493,235</u>	<u>11,535,685</u>	<u>46,470,743</u>
<u>\$ 14,518,218</u>	<u>\$ 13,326,110</u>	<u>\$ 57,695,367</u>

**CHICO UNIFIED SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

**Total Fund Balances, Governmental Funds** \$ 46,470,743

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:

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.

Capital assets relating to governmental activities, at historical cost	201,356,920	
Accumulated depreciation	<u>(79,184,406)</u>	
	Net	122,172,514

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 unmaturing interest owing at the end of the period was:

(1,054,513)

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:

General obligation bonds	61,835,372	
Net pension liability	82,921,398	
Net OPEB asset	(1,434,143)	
Compensated absences	445,386	
Certificates of participation	650,000	
Capital leases	390,647	
Deferred loss on refunding	(38,084)	
Early retirement incentives	<u>223,151</u>	
	Total	(144,993,727)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	6,446,485
Deferred inflows of resources relating to pensions	(22,234,153)

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 is:

140

**Total Net Position, Governmental Activities** \$ 6,807,489

The accompanying notes are an integral part of this statement.

**CHICO UNIFIED SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 38,672,045	\$ --
Education Protection Account Funds	16,135,225	--
Local Sources	26,939,969	--
Federal Revenue	7,051,088	--
Other State Revenue	11,955,604	--
Other Local Revenue	7,946,012	33,206
Total Revenues	<u>108,699,943</u>	<u>33,206</u>
Expenditures:		
Instruction	71,429,707	--
Instruction - Related Services	11,781,742	--
Pupil Services	10,718,339	--
Ancillary Services	499,119	--
Community Services	25,246	--
Enterprise	--	--
General Administration	6,383,168	--
Plant Services	8,431,603	5,373,485
Other Outgo	539,491	--
Debt Service:		
Principal	534,424	--
Interest	71,000	--
Total Expenditures	<u>110,413,839</u>	<u>5,373,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,713,896)</u>	<u>(5,340,279)</u>
Other Financing Sources (Uses):		
Transfers In	2,527,831	--
Transfers Out	(148,277)	--
Total Other Financing Sources (Uses)	<u>2,379,554</u>	<u>--</u>
Net Change in Fund Balance	665,658	(5,340,279)
Fund Balance, July 1, As Previously Reported	14,076,674	12,904,885
Prior Period Adjustment	(1,865,115)	--
Fund Balance, July 1, As Restated	<u>12,211,559</u>	<u>12,904,885</u>
Fund Balance, June 30	<u>\$ 12,877,217</u>	<u>\$ 7,564,606</u>

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,714,992	\$ 40,387,037
--	674,218	16,809,443
--	753,810	27,693,779
--	3,716,157	10,767,245
91	478,704	12,434,399
3,322,950	8,047,450	19,349,618
<u>3,323,041</u>	<u>15,385,331</u>	<u>127,441,521</u>
--	2,004,475	73,434,182
--	897,929	12,679,671
--	4,432,066	15,150,405
--	--	499,119
--	--	25,246
--	43,880	43,880
545,591	454,119	7,382,878
1,183,551	3,769,252	18,757,891
--	310,720	850,211
--	2,095,000	2,629,424
--	2,563,013	2,634,013
<u>1,729,142</u>	<u>16,570,454</u>	<u>134,086,920</u>
<u>1,593,899</u>	<u>(1,185,123)</u>	<u>(6,645,399)</u>
--	148,277	2,676,108
(95,885)	(2,431,946)	(2,676,108)
<u>(95,885)</u>	<u>(2,283,669)</u>	<u>--</u>
1,498,014	(3,468,792)	(6,645,399)
12,995,221	15,004,477	54,981,257
--	--	(1,865,115)
<u>12,995,221</u>	<u>15,004,477</u>	<u>53,116,142</u>
<u>\$ 14,493,235</u>	<u>\$ 11,535,685</u>	<u>\$ 46,470,743</u>



**CHICO UNIFIED SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

**Total Change in Fund Balances-Governmental Funds** \$ (6,645,399)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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:

Expenditures for capital outlay	9,826,610	
Depreciation expense	(4,624,423)	
	Net	5,202,187

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:

2,407,782

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:

(52,105)

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:

38,172

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:

59,489

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(761,606)

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:

198,709

**Balance Forward**

447,229

**CHICO UNIFIED SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

**Balance Forward**

\$ 447,229

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

422,434

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 debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:

91,405**Change in Net Position of Governmental Activities**\$ 961,068

The accompanying notes are an integral part of this statement.

**CHICO UNIFIED SCHOOL DISTRICT**

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
<b>ASSETS:</b>	
Current Assets:	
Cash in County Treasury	\$ 140
Total Assets	<u>140</u>
<b>LIABILITIES:</b>	
Total Liabilities	<u>--</u>
<b>NET POSITION:</b>	
Unrestricted (Deficit)	140
Total Net Position	<u>\$ 140</u>

The accompanying notes are an integral part of this statement.

**CHICO UNIFIED SCHOOL DISTRICT**  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Internal Service Fund
	<u>                    </u>
	Self-Insurance Fund
	<u>                    </u>
Change in Net Position	\$       --
Net Position - Beginning	<u>          140</u>
Net Position - Ending	<u><u>          140</u></u>

The accompanying notes are an integral part of this statement.

**CHICO UNIFIED SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2015

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 896,918
Accounts Receivable	4,225
Stores Inventory	58,002
Total Assets	<u>959,145</u>
<b>LIABILITIES:</b>	
Accounts Payable	6,855
Due to Student Groups	952,290
Total Liabilities	<u>959,145</u>
<b>NET POSITION:</b>	
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**CHICO UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies

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

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, and one charter school in Chico, California. This District is the sponsoring local education agency for seven charter schools.

1. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

Blended Component Units

Blended component units are 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 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

Discretely presented component units are 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.

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 had no activity during the 2014-15 fiscal year.

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.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the 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, are presented as general revenues.

**CHICO UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund: This fund is used to account for the construction and acquisition of major capital improvements.

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provision of the California Environmental Quality Act (CEQA).

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital outlay, and that compose a substantial portion of the fund's resources.

Capital Projects Funds: These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital outlay acquisitions.

Debt Service Funds: These funds are used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary Funds: These funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CHICO UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Assets, Liabilities, and Equity

a. Deposits and Investments

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Butte County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Butte County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.



**CHICO UNIFIED SCHOOL DISTRICT**  
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c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$10,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Portable Classrooms	25
Site Improvements	20-50
Equipment	5-20
Vehicles	8

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Butte bills and collects the taxes for the District.

**CHICO UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
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h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

i. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period.

j. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

k. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a new pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

l. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

B. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Employee Benefits	\$ 2,364,393

General fund:

Employee Benefits - the District was over budget for employee benefits expenditures related to the GASB 68 recording of STRS On-Behalf revenue and expenditures that was not budgeted.

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Butte County Treasury as part of the common investment pool (\$50,383,417 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$50,382,918. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**CHICO UNIFIED SCHOOL DISTRICT**  
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2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks and in the revolving fund are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

4. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**CHICO UNIFIED SCHOOL DISTRICT**  
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The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**D. Accounts Receivable**

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2015 consisted of:

	General Fund	Building Fund	Nonmajor Funds	Total Governmental Funds
Federal Government:				
Federal programs	\$ 792,496	\$ --	\$ 864,799	\$ 1,657,295
State Government:				
LCFF	1,013,463	--	35,607	1,049,070
Lottery	131,639	--	47,505	179,144
Other state programs	521,829	--	80,323	602,152
Local Sources:				
Interest	--	6,069	--	6,069
Other local sources	955,509	2,000	5,688	963,197
Total	<u>\$ 3,414,936</u>	<u>\$ 8,069</u>	<u>\$ 1,033,922</u>	<u>\$ 4,456,927</u>

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 11,825,696	\$ 153,750	\$ --	\$ 11,979,446
Work in progress	27,670,189	8,438,371	28,657,443	7,451,117
Total capital assets not being depreciated	<u>39,495,885</u>	<u>8,592,121</u>	<u>28,657,443</u>	<u>19,430,563</u>
Capital assets being depreciated:				
Buildings	138,148,700	27,244,128	331,797	165,061,031
Improvements	8,293,190	1,453,026	--	9,746,216
Equipment	5,939,483	1,194,778	15,151	7,119,110
Total capital assets being depreciated	<u>152,381,373</u>	<u>29,891,932</u>	<u>346,948</u>	<u>181,926,357</u>
Less accumulated depreciation for:				
Buildings	(64,436,679)	(3,812,970)	(279,692)	(67,969,957)
Improvements	(5,763,336)	(296,174)	--	(6,059,510)
Equipment	(4,654,811)	(515,279)	(15,151)	(5,154,939)
Total accumulated depreciation	<u>(74,854,826)</u>	<u>(4,624,423)</u>	<u>(294,843)</u>	<u>(79,184,406)</u>
Total capital assets being depreciated, net	<u>77,526,547</u>	<u>25,267,509</u>	<u>52,105</u>	<u>102,741,951</u>
Governmental activities capital assets, net	<u>\$ 117,022,432</u>	<u>\$ 33,859,630</u>	<u>\$ 28,709,548</u>	<u>\$ 122,172,514</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
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Depreciation was charged to functions as follows:

Instruction	\$ 3,642,711
Instruction-Related Services	214,959
Pupil Services	291,475
General Administration	79,234
Plant Services	396,044
	<u>\$ 4,624,423</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Facilities Fund	\$ 5,658	To record admin. fee associated with developer fees and OPEB distribution.
Cafeteria Fund	General Fund	155,842	To adjust indirect costs and to contribute funds to the NSLP program.
General Fund	Cafeteria Fund	98,602	To record indirect costs and OPEB distribution.
General Fund	Charter School Fund	165,555	To record indirect costs and CU charges.
Charter School Fund	General Fund	43,929	To record final in-lieu taxes and to reverse OPEB distribution.
Building Fund	Capital Facilities Fund	1,500	To correct invoice charged to wrong fund.
General Fund	Building Fund	810	To record OPEB distribution.
	Total	<u>\$ 471,896</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2015, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Cafeteria Fund	\$ 148,277	To record contribution.
Charter School Fund	General Fund	12,500	To purchase equipment for charter school.
Capital Facilities Fund	General Fund	95,885	To cover admin. fee associated with developer fees.
Special Reserve for Capital Outlay Projects	General Fund	2,419,446	To cover maintenance costs in the General Fund.
	Total	<u>\$ 2,676,108</u>	

**CHICO UNIFIED SCHOOL DISTRICT**  
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G. Accounts Payable

Accounts payable balances as of June 30, 2015 consisted of:

	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Funds	Total Governmental Funds
Vendor payables	\$ 1,505,429	\$ 887,301	\$ 17,825	\$ 592,690	\$ 3,003,245
Payroll and benefits	4,256,890	--	--	28,179	4,285,069
Due to governments	2,193,385	--	--	30,678	2,224,063
Total	<u>\$ 7,955,704</u>	<u>\$ 887,301</u>	<u>\$ 17,825</u>	<u>\$ 651,547</u>	<u>\$ 9,512,377</u>

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	\$ 504,875	\$ --	\$ 59,489	\$ 445,386	\$ 445,386
General obligation bonds	61,695,000	--	2,095,000	59,600,000	2,315,000
Bond issue premiums	2,326,777	--	91,405	2,235,372	91,405
Capital leases	418,429	--	27,782	390,647	29,174
Certificates of participation	935,000	--	285,000	650,000	300,000
Early retirement incentives	648,496	--	425,345	223,151	223,151
Pension liability	103,946,316	--	21,024,918	82,921,398	--
Total governmental activities	<u>\$ 170,474,893</u>	<u>\$ --</u>	<u>\$ 24,008,939</u>	<u>\$ 146,465,954</u>	<u>\$ 3,404,116</u>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	The fund for which the employee worked.

2. General Obligation Bonds

The outstanding general obligation bond debt of the District is:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2014	Issued	Redeemed	Outstanding June 30, 2015
2008	2033	4 - 5.75%	\$ 30,725,000	\$ 30,350,000	\$ --	\$ 405,000	\$ 29,945,000
2012	2029	2.85%	18,665,000	16,345,000	--	1,690,000	14,655,000
2013	2044	5.00%	15,000,000	15,000,000	--	--	15,000,000
Total			<u>\$ 64,390,000</u>	<u>\$ 61,695,000</u>	<u>\$ --</u>	<u>\$ 2,095,000</u>	<u>\$ 59,600,000</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
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The annual requirements to amortize the general obligation bonds payable are as follows:

<u>Year Ending June 30:</u>	Governmental Activities		
	Principal	Interest	Total
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	2,215,000	2,180,066	4,395,066
2021-2025	15,735,000	9,357,716	25,092,716
2026-2030	14,130,000	5,673,178	19,803,178
2031-2035	6,230,000	3,724,134	9,954,134
2036-2040	5,625,000	2,428,625	8,053,625
2041-2044	6,670,000	703,250	7,373,250
Totals	\$ 59,600,000	\$ 33,576,915	\$ 93,176,915

**3. Capital Leases**

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, 2015. Accumulated depreciation on the leased equipment at June 30, 2015, was \$188,369. Depreciation on the assets under capital lease is included in depreciation expense and amount to \$20,738 for the year ended June 30, 2015. The amount of interest cost incurred during the year ended June 30, 2015, was \$19,885, all of which was charged to expenses.

Future minimum lease payments are as follows:

<u>Year Ending June 30:</u>	Lease Payments
2016	\$ 47,667
2017	47,667
2018	47,667
2019	47,667
2020	47,667
2021-2025	238,333
2026-2030	23,833
Total	500,501
Less: Amount representing interest	109,854
Net Present Value	\$ 390,647

**4. 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, 2015, the principal balance outstanding was \$650,000. The amount of interest cost incurred during the year ended June 30, 2015, was \$29,075, all of which was charged to expenses.

The certificates mature through 2018 as follows:

<u>Year Ending June 30:</u>	Principal	Interest	Total
2016	\$ 300,000	\$ 18,650	\$ 318,650
2017	315,000	7,306	322,306
2018	35,000	700	35,700
Totals	\$ 650,000	\$ 26,656	\$ 676,656



**CHICO UNIFIED SCHOOL DISTRICT**  
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**YEAR ENDED JUNE 30, 2015**

I. Fund Balances

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2015 are as follows:

	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Revolving fund	\$ 25,200	\$ --	\$ --	\$ --	\$ 25,200
Stores inventories	143,669	--	--	65,438	209,107
Prepaid expenditures	1,252,380	--	--	5,956	1,258,336
Restricted:					
Educational programs	4,044,250	--	--	69,822	4,114,072
Debt service	--	--	--	5,724,193	5,724,193
Capital projects	--	7,564,606	14,493,235	3,912,816	25,970,657
Assigned:					
Capital projects	--	--	--	946,973	946,973
Deferred maintenance	609	--	--	--	609
Program carryover	580,832	--	--	--	580,832
Other assigned	2,211,242	--	--	810,487	3,021,729
Unassigned:					
Economic uncertainties	3,316,863	--	--	--	3,316,863
Other unassigned	1,302,172	--	--	--	1,302,172
<b>Total</b>	<b>\$ 12,877,217</b>	<b>\$ 7,564,606</b>	<b>\$ 14,493,235</b>	<b>\$ 11,535,685</b>	<b>\$ 46,470,743</b>

J. Joint Ventures (Joint Powers Agreements)

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 Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for the financial reporting purposes.

The JPAs arrange for and provide property and liability, workers' compensation, health benefits, and excess liability coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. The boards control the operations of the JPAs including selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The JPAs are not accumulating significant financial resources or experiencing fiscal stress, which would cause additional financial benefit or burden to the District. The District's share of year end assets, liabilities or fund equity is not calculated by the JPA. Separately issued financial statements can be requested from each JPA.

K. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

**CHICO UNIFIED SCHOOL DISTRICT**  
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b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire with five years of total service at age 60, or with 30 years of total service at age 50, for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS		CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%

\*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contributions to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

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 fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$2,065,219 for the year ended June 30, 2015.

d. Contributions - CalSTRS

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$4,449,316 for the year ended June 30, 2015.

e. On Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$2,764,140 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

**CHICO UNIFIED SCHOOL DISTRICT**  
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2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 64,280,700
CalPERS	18,640,698
Total Net Pension Liability	<u>\$ 82,921,398</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2013	<u>0.1100%</u>	<u>0.1642%</u>
Proportion - June 30, 2014	<u>0.1100%</u>	<u>0.1642%</u>
Change - Increase (Decrease)	<u>-</u>	<u>-</u>

For the year ended June 30, 2015, the District recognized pension expense of \$10,559,152. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,446,485	\$ --
Differences between actual and expected experience	--	--
Changes in assumptions	--	--
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	--	--
Net difference between projected and actual earnings on plan investments	--	22,234,153
Total	<u>\$ 6,446,485</u>	<u>\$ 22,234,153</u>

\$6,446,485 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ 5,558,538
2017	5,558,538
2018	5,558,538
2019	5,558,539
Total	<u>\$ 22,234,153</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Investment Rate of Return	7.6% (1)	7.5% (1)
Interest on Member Accounts	4.5%	

(1) Net of pension plan investment expenses, including inflation

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table adjusted to fit CalSTRS experience.

The actuarial assumptions used in the CalSTRS June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006 - June 30, 2010.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations for CalPERS is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CHICO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation Sensitive	5.00%	3.20%
Fixed Income	20.00%	0.20%
Cash/Liquidity	1.00%	--
	<u>100.00%</u>	

\* 10-year geometric average

**CHICO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease Net Pension Liability	6.60% \$ 112,763,021	6.50% \$ 32,700,039
Current Discount Rate Net Pension Liability	7.60% \$ 64,280,700	7.50% \$ 18,640,698
1% Increase Net Pension Liability	8.60% \$ 23,768,833	8.50% \$ 6,892,701

d. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

L. 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. Four medical/prescription drug options are available to active employees: the Alder, Birch, Cedar and Dogwood plans. The District pays composite rates on behalf of active employees. Only the Birch 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, without Medicare A and B, and a second rate for the retiree only).

For the 2014-15 fiscal year, the District contributes to the Birch 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 participating in the medical benefits at the time of retirement from certificated, classified, and management units may retire with District-paid health care benefits after the later of age 55 and 5 years of service (10 years for certificated employees hired on or after October 1, 2009 and 10 years for classified/management employees hired on or after July 1, 2015). 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, 2015, 235 retirees met these eligibility requirements and an estimated 1,266 participants will be eligible in future years.

**CHICO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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 OPEB Cost and Net OPEB Asset

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan (including implicit subsidy), and the changes in the District's net OPEB asset:

Annual required contribution	\$ 2,565,305
Interest adjustment	(49,417)
Amortization of unfunded actuarial liabilities	71,445
Annual OPEB cost (expense)	<u>2,587,333</u>
Contributions made, adjusted for implicit subsidy	<u>(2,786,042)</u>
Increase in net OPEB asset	(198,709)
Net OPEB asset, July 1	(1,235,434)
Net OPEB asset, June 30	<u>\$ (1,434,143)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB asset are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/13	\$ 2,397,872	\$ 2,821,764	118%	\$ (580,958)
06/30/14	\$ 2,583,222	\$ 2,813,806	109%	\$ (1,004,850)
06/30/15	\$ 2,587,333	\$ 2,786,042	108%	\$ (1,434,143)

Funding Status and Funding Progress

The projected benefit payments for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CHICO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

In the July 1, 2013 actuarial valuation, the projected unit credit using full accrual at full eligibility age actuarial method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after three years. The actuarial method used for valuing assets is market. The plan's unfunded actuarial accrued liability is being amortized over 30 years in level dollar amounts on a closed basis. Demographic and other assumptions include (1) mortality rates; (2) public education retirement rates; (3) termination rates by age, gender and years of service; and (4) district salary schedules.

M. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Construction Project Commitments

Construction project commitments as of June 30, 2015 are as follows:

Construction Project	Contract Amount	Less Disbursement as of June 30, 2015	Equals Remaining Construction Commitment
MJHS Multi-Purpose Room	\$ 6,790,000	\$ 998,735	\$ 5,791,265
BJHS Modernization Incr. 2 & 3	3,342,487	1,403,676	1,938,811
CJHS Technology Infrastructure Phase 2	308,897	282,822	26,075
MJHS Technology Infrastructure Phase 2	254,900	--	254,900
Chico High School Overhang Beam Repair	66,827	10,555	56,272
BJHS Solar Project	716,258	--	716,258
Emma Wilson Solar Project	566,630	--	566,630
Neal Dow Solar Project	361,151	--	361,151
Rosedale Solar Project	456,046	--	456,046
Sierra View Solar Project	389,438	--	389,438
Total	\$ 13,252,634	\$ 2,695,788	\$ 10,556,846

N. 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 any of 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 JPAs for property and liability, health benefits, and workers' compensation coverage.



**CHICO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

O. Restatement of Net Position

The beginning net position of Governmental Activities has been restated in order to record the District's proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27.

The beginning net position of Governmental Activities has been restated in order to adjust for the LCFF accounts payable balance at June 30, 2014, that was understated.

The effect of beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 105,658,996
GASB 68 Adjustments	(97,947,460)
Understatement of Accounts Payable	(1,865,115)
Net Position - Beginning, as Restated	<u>\$ 5,846,421</u>

P. Restatement of Fund Balance

The beginning fund balance for the General Fund has been restated in order to adjust for the LCFF accounts payable balance at June 30, 2014, that was understated.

The effect of beginning fund balance for the General Fund is presented as follows:

	General Fund
Fund balance, July 1, As Previously Reported	\$ 14,076,674
Understatement of Accounts Payable	(1,865,115)
Fund balance, July 1, As Restated	<u>\$ 12,211,559</u>

Q. New Accounting Pronouncements

GASB Statement No. 72 - In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for period beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

GASB Statement No. 73 - In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**CHICO UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

R. Subsequent Events

California Energy Commission Loan

During the fiscal year ending June 30, 2015, the District entered into an agreement with the California Energy Resources Conservation and Development Commission for a loan up to the amount of \$3,000,000 to install solar photovoltaic panels at five campuses within the District. The loan will be disbursed on a cost reimbursement basis. No reimbursable costs were incurred during the fiscal year ending June 30, 2015. The loan bears interest at 0% and is payable in semi-annual installments of \$125,000 beginning in December of the fiscal year following the completion of the project. The project is expected to be completed during the fiscal year ending June 30, 2016.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CHICO UNIFIED SCHOOL DISTRICT**

**EXHIBIT B-1**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 48,571,449	\$ 46,487,245	\$ 38,672,045	\$ (7,815,200)
Education Protection Account Funds	10,987,265	13,466,471	16,135,225	2,668,754
Local Sources	21,405,466	21,540,647	26,939,969	5,399,322
Federal Revenue	7,067,983	8,489,852	7,051,088	(1,438,764)
Other State Revenue	7,775,151	9,407,250	11,955,604	2,548,354
Other Local Revenue	5,942,066	7,603,967	7,946,012	342,045
Total Revenues	<u>101,749,380</u>	<u>106,995,432</u>	<u>108,699,943</u>	<u>1,704,511</u>
Expenditures:				
Current:				
Certificated Salaries	47,323,990	49,758,526	49,584,517	174,009
Classified Salaries	17,582,441	17,470,260	17,060,375	409,885
Employee Benefits	26,465,968	26,370,311	28,734,704	(2,364,393)
Books And Supplies	7,046,491	6,300,779	4,813,275	1,487,504
Services And Other Operating Expenditures	8,950,587	9,273,643	8,689,662	583,981
Other Outgo	555,700	574,154	539,491	34,663
Direct Support/Indirect Costs	(455,495)	(404,616)	(411,911)	7,295
Capital Outlay	656,294	950,600	798,302	152,298
Debt Service:				
Principal	476,157	535,891	534,424	1,467
Interest	121,134	81,658	71,000	10,658
Total Expenditures	<u>108,723,267</u>	<u>110,911,206</u>	<u>110,413,839</u>	<u>497,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,973,887)</u>	<u>(3,915,774)</u>	<u>(1,713,896)</u>	<u>2,201,878</u>
Other Financing Sources (Uses):				
Transfers In	2,600,430	2,600,399	2,527,831	(72,568)
Transfers Out	(100,000)	(359,062)	(148,277)	210,785
Total Other Financing Sources (Uses)	<u>2,500,430</u>	<u>2,241,337</u>	<u>2,379,554</u>	<u>138,217</u>
Net Change in Fund Balance	<u>(4,473,457)</u>	<u>(1,674,437)</u>	<u>665,658</u>	<u>2,340,095</u>
Fund Balance, July 1	<u>12,211,559</u>	<u>12,211,559</u>	<u>12,211,559</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 7,738,102</u>	<u>\$ 10,537,122</u>	<u>\$ 12,877,217</u>	<u>\$ 2,340,095</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF FUNDING PROGRESS FOR OTHER  
 POSTEMPLOYMENT BENEFITS PLAN  
 YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ --	\$ 23,064,290	\$ 23,064,290	--	\$ 62,394,618	37.0%
July 1, 2011	\$ --	\$ 20,809,318	\$ 20,809,318	--	\$ 67,324,776	30.9%
July 1, 2009	\$ --	\$ 21,053,366	\$ 21,053,366	--	\$ 64,950,487	32.4%

**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	<u>June 30, 2015</u>
District's proportion of the net pension liability (asset)	0.110%
District's proportionate share of the net pension liability (asset)	\$ 64,280,700
State's proportionate share of the net pension liability (asset) associated with the District	3,351,061
Total	<u>\$ 67,631,761</u>
District's covered-employee payroll	\$ 51,076,235
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.85%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

June 30, 2015

Contractually required contribution	\$ 4,449,316
Contributions in relation to the contractually required contribution	(4,449,316)
Contribution deficiency (excess)	<u>\$ --</u>
District's covered-employee payroll	\$ 51,076,235
Contributions as a percentage of covered-employee payroll	8.71%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

June 30, 2015

District's proportion of the net pension liability (asset)	0.164%
District's proportionate share of the net pension liability (asset)	\$ 18,640,698
District's covered-employee payroll	\$ 19,321,498
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.48%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.



**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

June 30, 2015

Contractually required contribution	\$ 2,065,219
Contributions in relation to the contractually required contribution	(2,065,219)
Contribution deficiency (excess)	\$ <u>          --</u>
District's covered-employee payroll	\$ 19,321,498
Contributions as a percentage of covered-employee payroll	10.69%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

## Supplementary Information Section

**CHICO UNIFIED SCHOOL DISTRICT**

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2015

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, and sponsors seven charter schools.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Elizabeth Griffin	President	2016
Eileen Robinson	Vice President	2018
Linda Hovey	Clerk	2016
Kathleen Kaiser	Member	2018
Gary Loustale	Member	2018

Administration

Kelly Staley, Superintendent

Bob Feaster, Assistant Superintendent, Human Resources

Dave Scott, Assistant Superintendent, Educational Services

Kevin Bultema, Assistant Superintendent, Business Services

**CHICO UNIFIED SCHOOL DISTRICT**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	3380	N/A	3362	N/A
Extended Year Special Education	7	N/A	7	N/A
Nonpublic, Nonsectarian Schools	--	N/A	--	N/A
Community Day School	--	N/A	--	N/A
TK/K-3 Totals	<u>3387</u>	<u>N/A</u>	<u>3369</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	2439	N/A	2430	N/A
Extended Year Special Education	7	N/A	7	N/A
Nonpublic, Nonsectarian Schools	1	N/A	1	N/A
Community Day School	--	N/A	1	N/A
Grades 4-6 Totals	<u>2447</u>	<u>N/A</u>	<u>2439</u>	<u>N/A</u>
Grades 7 and 8:				
Regular ADA	1767	N/A	1757	N/A
Extended Year Special Education	3	N/A	3	N/A
Nonpublic, Nonsectarian Schools	--	N/A	--	N/A
Community Day School	6	N/A	7	N/A
Grades 7 and 8 Totals	<u>1776</u>	<u>N/A</u>	<u>1767</u>	<u>N/A</u>
Grades 9-12:				
Regular ADA	3642	N/A	3575	N/A
Extended Year Special Education	9	N/A	9	N/A
Nonpublic, Nonsectarian Schools	1	N/A	1	N/A
Community Day School	15	N/A	16	N/A
Grades 9-12 Totals	<u>3667</u>	<u>N/A</u>	<u>3601</u>	<u>N/A</u>
ADA Totals	<u><u>11277</u></u>	<u><u>N/A</u></u>	<u><u>11176</u></u>	<u><u>N/A</u></u>

**INSPIRE SCHOOL OF ARTS AND SCIENCES**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 9-12:				
Regular ADA	409	N/A	403	N/A
Grades 9-12 Totals	409	N/A	403	N/A
Grades 9-12:				
Classroom-Based ADA	408	N/A	401	N/A
Grades 9-12 Totals	408	N/A	401	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**TRADITIONAL SCHOOLS**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,200	35,000	36,000	180	Complied
Grade 1	50,400	49,000	50,400	180	Complied
Grade 2	50,400	49,000	50,400	180	Complied
Grade 3	50,400	49,000	50,400	180	Complied
Grade 4	54,000	52,500	54,000	180	Complied
Grade 5	54,000	52,500	54,000	180	Complied
Grade 6	54,000	52,500	54,000	180	Complied
Grade 7	54,000	52,500	61,062	180	Complied
Grade 8	54,000	52,500	61,062	180	Complied
Grade 9	64,800	63,000	64,846	180	Complied
Grade 10	64,800	63,000	64,846	180	Complied
Grade 11	64,800	63,000	64,846	180	Complied
Grade 12	64,800	63,000	64,846	180	Complied

**INSPIRE SCHOOL OF ARTS AND SCIENCES**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	62,949	65,474	180	Complied
Grade 10	64,800	62,949	65,474	180	Complied
Grade 11	64,800	62,949	65,474	180	Complied
Grade 12	64,800	62,949	65,474	180	Complied

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District did not meet or exceed its target funding.

**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 YEAR ENDED JUNE 30, 2015

**TABLE C-3**

General Fund	Budget 2016 (see note 1)	2015	2014 *	2013 *
Revenues and other financial sources	\$ 121,365,305	\$ 111,227,774	\$ 102,111,918	\$ 98,234,606
Expenditures	115,807,157	110,413,839	104,757,504	101,555,506
Other uses and transfers out	467,264	148,277	144,975	216,042
Total outgo	<u>116,274,421</u>	<u>110,562,116</u>	<u>104,902,479</u>	<u>101,771,548</u>
Change in fund balance (deficit)	<u>5,090,884</u>	<u>665,658</u>	<u>(2,790,561)</u>	<u>(3,536,942)</u>
Ending fund balance	\$ <u>17,968,101</u>	\$ <u>12,877,217</u>	\$ <u>14,076,674</u>	\$ <u>16,867,235</u>
Available reserves (see note 2)	\$ <u>6,191,295</u>	\$ <u>4,619,032</u>	\$ <u>5,667,309</u>	\$ <u>10,535,312</u>
Available reserves as a percentage of total outgo (see note 3)	<u>5.3%</u>	<u>4.3%</u>	<u>5.4%</u>	<u>10.4%</u>
Total long-term debt	\$ <u>143,061,838</u>	\$ <u>146,465,954</u>	\$ <u>66,528,577</u>	\$ <u>69,387,672</u>
Average daily attendance at P-2	<u>11,072</u>	<u>11,277</u>	<u>11,383</u>	<u>11,477</u>

\* No adjustment made for prior period adjustment recorded during the 2014-15 fiscal year.

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.

The fund balance of the General Fund has decreased by \$3,990,018 (23.66%) over the past two years. The fiscal year 2015-2016 budget projects an increase of \$5,090,879 (39.53%). For a district of this size, the State recommends available reserves of at least three percent of total general fund expenditures, transfers out and other uses (total outgo).

The District has incurred operating deficits for two of the past three years, and projects a surplus during the 2015-2016 fiscal year. Total long-term debt has increased by \$77,087,282 over the past two years.

Average daily attendance has decreased by 204 over the past two years. A decrease of 201 ADA is anticipated during the fiscal year 2015-2016.

**NOTES:**

- 1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$2,764,140 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2015.



**CHICO UNIFIED SCHOOL DISTRICT**  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

**TABLE C-4**

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The fund balance of all funds as reported on the Annual Financial and Budget Report equal the corresponding balances in the audited financial statements.

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The following charter schools are chartered by Chico Unified School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
Inspire School of Arts and Sciences	Yes
Chico Country Day School	No
Blue Oak Charter School	No
Forest Ranch Charter School	No
Nord Country School	No
Sherwood Montessori	No
Wildflower Open Classroom	No

**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

**TABLE C-6**  
 Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF LABOR</u>			
Direct Program:			
Youthbuild	17.274	N/A	\$ 401,491
Total U. S. Department of Labor			<u>401,491</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Glenn County Office of Education:			
Medi-Cal Administrative Activities *	93.778	10060	7,271
Total U. S. Department of Health and Human Services			<u>7,271</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Chico Unified School District Project Physical Activity for Chico Kids	84.215F	N/A	479,631
Elementary Counseling Services	84.215E	N/A	229,598
Total Direct Programs			<u>709,229</u>
Passed Through State Department of Education:			
NCLB - Title I Basic Grants *	84.010	14329	2,295,107
Vocational Programs - Secondary, Carl D. Perkins Act	84.048	14894	113,391
NCLB - Title V, Part B, Public Charter School	84.282	15225	101,095
NCLB - Title IV 21st Century Learning Centers	84.287	Various	740,166
NCLB - Advanced Placement (AP) and International Baccalaureate (IB) Test Fee Reimbursement	84.330B	14831	8,671
NCLB - Title III Immigrant Education	84.365	15146	18,684
NCLB - Title III Limited English Proficient	84.365	14346	129,750
NCLB - Title II Teacher Quality	84.367	14341	418,668
Total Passed Through State Department of Education			<u>3,825,532</u>
Passed Through Butte County Office of Education:			
Special Ed - Basic Local Assistance Entitlement *	84.027	13379	1,453,976
Special Ed - Preschool Local Entitlement *	84.027	13682	141,343
Special Ed - Preschool Grant *	84.173	13430	92,928
Special Education Cluster			<u>1,688,247</u>
Total Passed Through Butte County Office of Education			<u>1,688,247</u>
Total U. S. Department of Education			<u>6,223,008</u>

**CHICO UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

**TABLE C-6**  
 Page 2 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Direct Program:			
Farm to School Program	10.575	N/A	1,635
Passed Through State Department of Education:			
School Breakfast Program *	10.553	13390	602,666
National School Lunch Program *	10.555	13391	2,256,103
Summer Food Service Program *	10.559	13004	112,749
Child Nutrition Cluster			<u>2,971,518</u>
Child and Adult Care Food Program	10.558	13393	293,128
NSLP Equipment Assistance	10.579	14906	45,956
USDA food distribution	10.550	N/A	296,004
Total Passed Through State Department of Education			<u>3,606,606</u>
Passed Through Butte County Office of Education:			
Forest Reserve *	10.665	N/A	38,703
Total U. S. Department of Agriculture			3,646,944
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 10,278,714</u></u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**CHICO UNIFIED SCHOOL DISTRICT**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chico Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

## Other Independent Auditors' Reports



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

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*

Board of Trustees  
Chico Unified School District  
Chico, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chico Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Chico Unified School District's basic financial statements, and have issued our report thereon dated December 4, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Chico Unified School 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 Chico Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chico Unified School District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Chico Unified School 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*.

## **Purpose of this Report**

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

*Tittle & Company, LLP*

Chico, CA  
December 4, 2015





TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees  
Chico Unified School District  
Chico, California

Members of the Board of Trustees:

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

We have audited the Chico Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Chico Unified School District's major federal programs for the year ended June 30, 2015. Chico Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Chico Unified School 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 Chico Unified School 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 Chico Unified School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Chico Unified School 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, 2015.

## Report on Internal Control Over Compliance

Management of the Chico Unified School 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 Chico Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Chico Unified School 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 considered 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.

*Tittle & Company, LLP*

Chico, CA  
December 4, 2015



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA

## **Independent Auditors' Report on State Compliance**

Board of Trustees  
Chico Unified School District  
Chico, California

Members of the Board of Trustees:

### **Report on State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

### **Management's Responsibility for State Compliance**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Compliance Requirements

Procedures in  
Audit Guide  
Performed?

**LOCAL EDUCATION AGENCIES**

**OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF  
EDUCATION, AND CHARTER SCHOOLS:**

California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

**CHARTER SCHOOLS:**

Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Continuation Education steps (6)(a) and (6)(b) were not performed because students do not receive apportionment attendance for work experience.

Continuation Education step (6)(c) was not performed because students do not engage in independent study.

## **Opinion on State Compliance**

In our opinion, Chico Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002.

## **Chico Unified School District's Response to Findings**

Chico Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Chico Unified School 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 compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

*Tittle & Company, LLP*

Chico, CA  
December 4, 2015

## Findings and Questioned Costs Section

**CHICO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**A. Summary of Auditors' Results**

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster (IDEA)
10.553, 10.555, 10.559	Child Nutrition Cluster
84.287	NCLB - Title IV 21st Century Learning Centers

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?  Yes  No

Type of auditors' report issued on compliance for state programs: Unmodified

**CHICO UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**B. Financial Statement Findings**

None



**CHICO UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**C. Federal Award Findings and Questioned Costs**

None

**CHICO UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**D. State Award Findings and Questioned Costs**

State Compliance (After School Education and Safety Program) 40000  
2015-001  
Significant Deficiency

Criteria of Specific Requirement

Education Code Section 8484 requires submission of program attendance data. Attendance reported on the semi-annual attendance reports should be compared to supporting documentation and reviewed for accuracy prior to filing.

Condition

During our testing of attendance for the before school program, we noted five days in the month selected for testing where students did not sign in but were marked as being present in the attendance system resulting in an overstatement of days reported on the 1st Half: Before School Base Attendance Report. We also noted eight days where the students were signed in but were not marked as being present in the attendance system resulting in an understatement of days reported on the 1st Half: Before School Base Attendance Report.

Effect

The number of students served on the 1st Half: Before School Base Attendance Report was understated by three days. The amount originally reported was 39,869 students served. The correct amount should have been 39,872 students served. There is no financial impact as the program is not funded based on attendance.

Recommendation

We recommend that sign in/out sheets be thoroughly completed and that attendance reports be reviewed for accuracy. In addition, we recommend that the attendance report be amended for the errors noted above.

LEA's Response

The attendance report will be amended and the District will implement procedures during 2015-16 to comply with the recommendation.

**CHICO UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

State Compliance (Attendance) 10000  
2015-002  
Significant Deficiency

Criteria of Specific Requirement

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.

Condition

The District's procedures require teachers to sign attendance reports on a weekly basis. We noted at the following sites that teachers were not signing the weekly attendance reports on a timely basis: Little Chico Creek Elementary School, Rosedale Elementary School, and Pleasant Valley High School. In addition, the weekly attendance reports for the second half of the school year could not be located by staff at Rosedale Elementary School. We were able to perform other procedures to determine that attendance was properly reported.

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 District follow their approved attendance procedures which require that the teachers maintain 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.

LEA's Response

The District's administration will adopt procedures to implement the recommendation during the fiscal year 2015-16.

**CHICO UNIFIED SCHOOL DISTRICT**  
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2015

Finding/Recommendation	Current Status
2014-001 Internal Control (Signature Stamps) Procedures should be put in place that ensure authorized personnel approve payroll distributions with original approvals, rather than by using signature stamp.	Implemented
2014-002 State Compliance (Unduplicated Local Control Funding Formula Pupil Count) Procedures should be put in place that ensure 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.	Implemented
2014-003 State Compliance (Unduplicated Local Control Funding Formula Pupil Count) Procedures should be put in place that ensure 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.	Implemented

**CHICO UNIFIED SCHOOL DISTRICT**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015

There are no current year findings related to federal awards.