

**CHICO UNIFIED SCHOOL DISTRICT  
PROPOSITION 39  
MEASURE E AND MEASURE K  
GENERAL OBLIGATION BONDS**

**FINANCIAL AND PERFORMANCE AUDITS**

Year Ended June 30, 2019

**CHICO UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 MEASURE E AND MEASURE K**  
**GENERAL OBLIGATIONS BONDS**  
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Year Ended June 30, 2019

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## **FINANCIAL SECTION**

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**CHICO UNIFIED SCHOOL DISTRICT  
 PROPOSITION 39 MEASURE E AND MEASURE  
 K GENERAL OBLIGATION BONDS  
 INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING  
 Year Ended June 30, 2019**

Chico Unified School District (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, and one opportunity school in Chico, California. This District is the sponsoring local education agency for eight charter schools.

On November 6th, 2012, the District's voters approved, by more than the required 55% favorable vote, Measure E, authorizing the issuance and sale of general obligation bonds, not to exceed \$78,000,000. On May 30, 2013, bonds in the amount of \$15,000,000 were issued at a premium of \$1,765,340, and on August 28, 2018, bonds in the amount of \$30,000,000 were issued at a premium of \$1,895,533. Measure E was designed to finance "improving student access to computers and modern technology, repairing or replacing leaky roofs and plumbing systems, upgrading heating, ventilation and cooling systems."

On November 8th, 2016, the District's voters approved, by more than the required 55% favorable vote, Measure K, authorizing the issuance and sale of general obligation bonds, not to exceed \$152,000,000. On April 25, 2017, bonds in the amount of \$45,000,000 were issued at a premium of \$2,551,664, and on June 20, 2019, bonds in the amount of \$55,000,000 were issued at a premium of \$3,785,024. Measure K was designed to finance "improving the quality of local public education by preventing overcrowding at elementary schools and providing safe schools through repairing or replacing leaky roofs and outdated electrical and plumbing systems, upgrading, modernizing and constructing classrooms and science labs, improving student access to technology and improving access for students with disabilities."

Measure E and Measure K are Proposition 39 bonds. The passage of Proposition 39 on November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000) was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure E and Measure K including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues. The Citizens' Oversight Committee had the following members as of June 30, 2019 all of whom were appointed by the District's Board of Trustees.

Name	Representation	Education Code Section
Tami Adams	Parent-Teacher Organization	15282(a)(5)
Tracy Bettencourt	Parent of a Child Enrolled in the District	15282(a)(4)
Kelsey Torres	Active in a Business Organization	15282(a)(1)
Mark Francis	Active in a Business Organization	15282(a)(1)
"Vacant"	Active in a Senior Citizens' Organization	15282(a)(2)
Angela Spain	Active in a Bona-fide Taxpayers' Association	15282(a)(3)
Randy Salado	Community -at- Large	15282(a)
Kelley Crockett	Community -at- Large	15282(a)



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Measure E and Measure K Citizens' Oversight Committee  
Chico Unified School District  
Chico, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition 39 Measure E and Measure K Bond Building Fund of Chico Unified School District (the "Proposition 39 Measure E and Measure K Bond Building Fund") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Proposition 39 Measure E and Measure K Bond Building Fund'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.

### Auditors' Responsibility

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

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

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

## INDEPENDENT AUDITORS' REPORT

Continued

As discussed in Note 1, the financial statements present only the individual Proposition 39 Measure E and Measure K Bond Building Fund, consisting of the net construction proceeds of the Measure E and Measure K general obligation bonds as issued by the District, through the County of Butte, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure E and Measure K Proposition 39 Bond Building Fund of Chico Unified School District as of June 30, 2019 and the changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Proposition 39 Measure E and Measure K Bond Building Fund's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 2, 2019 on our consideration of the Proposition 39 Measure E and Measure K Bond Building Fund'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Proposition 39 Measure E and Measure K Bond Building Fund's internal control over financial reporting and compliance.

## INDEPENDENT AUDITORS' REPORT

Continued

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated December 2, 2019 on our consideration of the Proposition 39 Measure E and Measure K Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Measure E and Measure K Bond Building Fund for the year ended June 30, 2019 and should be considered in assessing the results of our financial audit.

*Tittle & Company, LLP*

Chico, California  
December 2, 2019

**CHICO UNIFIED SCHOOL DISTRICT  
 PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND  
 BALANCE SHEET**

June 30, 2019

	<b>Measure E</b>	<b>Measure K</b>	<b>Total</b>
<b>ASSETS</b>			
Cash in county treasury	\$ 4,130,257	\$ 58,968,301	\$ 63,098,558
Accounts receivable	70,069	70,492	140,561
Due from General Fund	720	9,480	10,200
<b>Total Assets</b>	<b>\$ 4,201,046</b>	<b>\$ 59,048,273</b>	<b>\$ 63,249,319</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,141,701	\$ 4,224,050	\$ 5,365,751
<b>Total Liabilities</b>	<b>1,141,701</b>	<b>4,224,050</b>	<b>5,365,751</b>
<b>FUND BALANCE</b>			
Restricted for capital projects	3,059,345	54,824,223	57,883,568
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,201,046</b>	<b>\$ 59,048,273</b>	<b>\$ 63,249,319</b>

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



**CHICO UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
Year Ended June 30, 2019

	<b>Measure E</b>	<b>Measure K</b>	<b>Total</b>
<b>REVENUES</b>			
Interest income	\$ 436,736	\$ 217,470	\$ 654,206
Increase (decrease) in fair value of investments	36,161	542,672	578,833
<b>Total Revenues</b>	<b>472,897</b>	<b>760,142</b>	<b>1,233,039</b>
<b>EXPENDITURES</b>			
Books and supplies	972,708	661,193	1,633,901
Services and other operating	683,357	1,426,237	2,109,594
Capital outlay	27,298,153	16,411,456	43,709,609
<b>Total Expenditures</b>	<b>28,954,218</b>	<b>18,498,886</b>	<b>47,453,104</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(28,481,321)</b>	<b>(17,738,744)</b>	<b>(46,220,065)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of bonds	30,000,000	55,000,000	85,000,000
<b>Net Change in Fund Balance</b>	<b>1,518,679</b>	<b>37,261,256</b>	<b>38,779,935</b>
<b>Fund Balance, June 30, 2018</b>	<b>1,540,666</b>	<b>17,562,967</b>	<b>19,103,633</b>
<b>Fund Balance, June 30, 2019</b>	<b>\$ 3,059,345</b>	<b>\$ 54,824,223</b>	<b>\$ 57,883,568</b>

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

**CHICO UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2019

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Chico Unified School District (the District) operates twelve elementary schools, three junior high schools, two high schools, one continuation school, one community day school, and one opportunity school in Chico, California. This District is the sponsoring local education agency for eight charter schools.

On November 6th, 2012, the District's voters approved, by more than the required 55% favorable vote, Measure E, authorizing the issuance and sale of general obligation bonds, not to exceed \$78,000,000. On May 30, 2013, bonds in the amount of \$15,000,000 were issued at a premium of \$1,765,340, and on August 28, 2018, bonds in the amount of \$30,000,000 were issued at a premium of \$1,895,533. Measure E was designed to finance the "improving student access to computers and modern technology, repairing or replacing leaky roofs and plumbing systems, upgrading heating, ventilation and cooling systems."

On November 8th, 2016, the District's voters approved, by more than the required 55% favorable vote, Measure K, authorizing the issuance and sale of general obligation bonds, not to exceed \$152,000,000. On April 25, 2017, bonds in the amount of \$45,000,000 were issued at a premium of \$2,551,664, and on June 20, 2019, bonds in the amount of \$55,000,000 were issued at a premium of \$3,785,024. Measure K was designed to finance the "improving the quality of local public education by preventing overcrowding at elementary schools and providing safe schools through repairing or replacing leaky roofs and outdated electrical and plumbing systems, upgrading, modernizing and constructing classrooms and science labs, improving student access to technology and improving access for students with disabilities."

An oversight committee to the District's Governing Board and Superintendent called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of state law and the provisions of the Measure E and Measure K bonds. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public whether the District is spending the Measure E and Measure K Bond funds for school capital improvements within the scope of projects outlined in the Measure E and Measure K Bond project lists. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and the financial audits of Measure E and Measure K activity.

The statements presented are for the individual Proposition 39 Measure E and Measure K Bond Building Fund of the District, consisting of the new construction proceeds of the Measure E and Measure K general obligation bonds issued by the District, through the County of Butte, and are not intended to be a complete presentation of the District's financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

**CHICO UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2019

**Accounting Policies**

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**Basis of Accounting**

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

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**Fund Balance**

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the governmental funds. The fund balance in the Proposition 39 Measure E and Measure K Bond Building Fund is considered restricted. The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**Capital Assets and Long-Term Debt**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Proposition 39 Measure E and Measure K Bond Building Fund are determined by its measurement focus. The Proposition 39 Measure E and Measure K Bond Building Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of "available spendable resources". Thus, the capital assets and long-term liabilities associated with the Proposition 39 Measure E and Measure K Bond Building Fund are accounted for in the government-wide financial statements of the Chico Unified School District.

**CHICO UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**2. GENERAL OBLIGATION BONDS**

**Measure E**

As of June 30, 2019, the principal balance outstanding on the District's Measure E general obligation bonds is indicated as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2019</u>
2013	5.00%	2044	\$ 15,000,000	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000
2019	3 - 5.00%	2041	30,000,000	-	30,000,000	-	30,000,000
<b>Total</b>			<b>\$ 45,000,000</b>	<b>\$ 15,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ -</b>	<b>\$ 45,000,000</b>

The annual requirements to amortize all Measure E general obligation bonds payable, outstanding as of June 30, 2019, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 125,000	\$ 2,010,475	\$ 2,135,475
2021	400,000	2,000,600	2,400,600
2022	150,000	1,989,600	2,139,600
2023	95,000	1,984,225	2,079,225
2024	70,000	1,980,100	2,050,100
2025-2029	1,195,000	9,839,625	11,034,625
2030-2034	9,980,000	8,502,500	18,482,500
2035-2039	17,875,000	5,393,650	23,268,650
2040-2044	15,110,000	1,467,000	16,577,000
	<b>\$ 45,000,000</b>	<b>\$ 35,167,775</b>	<b>\$ 80,167,775</b>

**CHICO UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2019

**Measure K**

As of June 30, 2019, the principal balance outstanding on the District's Measure K general obligation bonds is indicated as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2019</u>
2017	3 - 4.00%	2023	\$ 20,000,000	\$ 20,000,000	\$ -	\$ 3,785,000	\$ 16,215,000
2017	3 - 4.00%	2041	25,000,000	25,000,000	-	-	25,000,000
2019	3 - 4.00%	2044	55,000,000	-	55,000,000	-	55,000,000
<b>Total</b>			<b>\$ 100,000,000</b>	<b>\$ 45,000,000</b>	<b>\$ 55,000,000</b>	<b>\$ 3,785,000</b>	<b>\$ 96,215,000</b>

The annual requirements to amortize all Measure K general obligation bonds payable, outstanding as of June 30, 2019, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,865,000	\$ 2,720,740	\$ 7,585,740
2021	5,125,000	3,319,900	8,444,900
2022	5,400,000	3,109,400	8,509,400
2023	4,900,000	2,903,400	7,803,400
2024	4,045,000	2,724,500	6,769,500
2025-2029	8,150,000	12,469,600	20,619,600
2030-2034	13,310,000	10,429,988	23,739,988
2035-2039	20,120,000	7,229,650	27,349,650
2040-2044	25,015,000	2,742,950	27,757,950
2045-2049	5,285,000	79,275	5,364,275
	<b>\$ 96,215,000</b>	<b>\$ 47,729,403</b>	<b>\$ 143,944,403</b>

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**SUPPLEMENTARY INFORMATION**

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**CHICO UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND**  
**SCHEDULE OF EXPENDITURES BY PROJECT FOR MEASURE E**  
Year Ended June 30, 2019

Project Name	Budget	Prior Expenditures	Current Year Expenditures	Total Expenditures	Status
General Exp, FMP Revision & Phase 3 Planning	\$ 271,000	\$ 359,811	\$ 128,879	\$ 488,690	In progress
Measure E Facilities Master Plan	638,741	638,741	-	638,741	Complete
Canopy Replacement Chico Junior High & Rosedale	248,277	248,277	-	248,277	Complete
CHS HVAC Replacement - Library	260,180	260,180	-	260,180	Complete
PVHS Athletic Facility Planning	100,000	100,000	-	100,000	Complete
CHS Athletic Facility Planning	100,000	100,000	-	100,000	Complete
ADA Phase 1 Corporation Yard	484,278	204,108	-	204,108	Complete
Safety & Security	1,316,801	872,324	644,912	1,517,236	In progress
Energy Efficiency	3,391	3,391	-	3,391	Complete
Technology Infrastructure	2,574,000	2,291,961	-	2,291,961	Complete
Marsh Junior Multipurpose Building	8,457,000	2,062,428	88	2,062,516	Complete
Junior High Planning	46,952	46,952	-	46,952	Complete
Marsh Junior High Site Drainage	418,719	418,719	-	418,719	Complete
Bidwell Junior High Conversion/Modernization	5,740,500	4,471,863	-	4,471,863	Complete
Technology Infrastructure Phase II	2,704,733	1,471,143	-	1,471,143	Complete
Marigold Elementary Phase III	39,483,441	-	10,233,753	10,233,753	In progress
Shasta Elementary Phase III	19,113,482	-	3,422	3,422	In progress
Neal Dow Elementary Phase III	26,212,108	-	9,817,620	9,817,620	In progress
Loma Vista Elementary Phase III	16,521,159	-	6,854,685	6,854,685	In progress
Hooker Oak Shade Structure	56,000	11,854	44,458	56,312	Complete
Emma Wilson	5,680,353	-	1,226,401	1,226,401	In progress
<b>Total</b>	<b>\$ 130,431,115</b>	<b>\$ 13,561,752</b>	<b>\$ 28,954,218</b>	<b>\$ 42,515,970</b>	

Each of the projects has been given a specific project identification number within the District's building fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.

**CHICO UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 MEASURE E AND MEASURE K BOND BUILDING FUND**  
**SCHEDULE OF EXPENDITURES BY PROJECT FOR MEASURE K**  
Year Ended June 30, 2019

Project Name	Budget	Prior Expenditures	Current Year Expenditures	Total Expenditures	Status
General Exp, Bond Issuance Costs	\$ -	\$ 144,557	\$ 182,000	\$ 326,557	In progress
Measure K Project Management	22,500	4,451	-	4,451	In progress
Marigold Elementary Phase III	39,483,441	4,702,434	6,266,349	10,968,783	In progress
PVHS Stadium Athletic Master Plan Phase I	6,636,697	2,697,293	1,477,207	4,174,500	In progress
Shasta Elementary Phase III	19,113,482	4,765,851	2,234,411	7,000,262	In progress
Neal Dow Elementary Phase III	26,212,108	1,774,215	3,513,959	5,288,174	In progress
CHS Big Gym HVAC	909,443	547,350	234,273	781,623	Complete
Loma Vista Elementary Phase III	16,521,159	5,204,106	1,851,037	7,055,143	In progress
CHS Stadium Athletic Master Plan Phase I	6,612,301	6,475,097	298,126	6,773,223	In progress
PVHS Small Gym HVAC	502,390	422,810	58,031	480,841	Complete
PVHS Phase IV Project	1,200,000	-	112,247	112,247	In progress
Charter General Expenses	-	339	-	339	In progress
Chico Country Day School	990,946	250,025	228,039	478,064	In progress
Nord Country School	1,037,220	305,498	361,847	667,345	In progress
Forest Ranch	380,050	41,454	311,445	352,899	In progress
Step Up Academy	109,346	109,337	8	109,345	In progress
Sherwood Montessori	463,800	197,128	213,802	410,930	In progress
Inspire School of the Arts and Science	676,347	55,088	513,449	568,537	In progress
Blue Oak	214,936	610	173,758	174,368	In progress
CORE Butte	1,962,036	2,607	372,078	374,685	In progress
Wildflower	446,193	372	96,820	97,192	In progress
<b>Total</b>	<b>\$ 123,494,395</b>	<b>\$ 27,700,622</b>	<b>\$ 18,498,886</b>	<b>\$ 46,199,508</b>	

Each of the projects has been given a specific project identification number within the District's building fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.



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**OTHER INDEPENDENT AUDITORS' REPORT**

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TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, 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  
Measure E and Measure K Citizens' Oversight Committee  
Chico Unified School District  
Chico, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Proposition 39 Measure E and Measure K Bond Building Fund, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Proposition 39 Measure E and Measure K Bond Building Fund's basic financial statements, and have issued our report thereon dated December 2, 2019.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over the Proposition 39 Measure E and Measure K Bond Building Fund's financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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

Continued

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's Proposition 39 Measure E and Measure K Bond Building Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**PURPOSE OF THIS REPORT**

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

*Tittle & Company, LLP*

Chico, California  
December 2, 2019



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, CPA

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and  
Measure E and Measure K Citizens' Oversight Committee  
Chico Unified School District  
Chico, California

We have conducted a performance audit of the Chico Unified School District's (the "District") Proposition 39 Measure E and Measure K General Obligation Bond Funds for the year ended June 30, 2019.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 16 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure E and Measure K General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 - 15286 of the California Education Code as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 - 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Proposition 39 Measure E and Measure K General Obligation Bond Funds for the year ended June 30, 2019, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 - 15286 of the California Education Code.

*Tittle & Company, LLP*

Chico, California  
December 2, 2019

**CHICO UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 MEASURE E AND MEASURE K**  
**GENERAL OBLIGATION BONDS PERFORMANCE AUDIT**  
Year Ended June 30, 2019

**BACKGROUND INFORMATION**

On November 6, 2012, the District's voters approved, by more than the required 55% favorable vote, Measure E, authorizing the issuance and sale of general obligation bonds, not to exceed \$78,000,000. On May 30, 2013, bonds in the amount of \$15,000,000 were issued at a premium of \$1,765,340, and on August 28, 2018, bonds in the amount of \$30,000,000 were issued at a premium of \$1,895,533. Measure E was designed to finance the "improving student access to computers and modern technology, repairing or replacing leaky roofs and plumbing systems, upgrading heating, ventilation and cooling systems."

On November 8th, 2016, the District's voters approved, by more than the required 55% favorable vote, Measure K, authorizing the issuance and sale of general obligation bonds, not to exceed \$152,000,000. On April 25, 2017, bonds in the amount of \$45,000,000 were issued at a premium of \$2,551,664, and on June 20, 2019, bonds in the amount of \$55,000,000 were issued at a premium of \$3,785,024. Measure K was designed to finance the "improving the quality of local public education by preventing overcrowding at elementary schools and providing safe schools through repairing or replacing leaky roofs and outdated electrical and plumbing systems, upgrading, modernizing and constructing classrooms and science labs, improving student access to technology and improving access for students with disabilities."

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures made using the proceeds of the bonds issued pursuant to the Measure E and Measure K bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the General Obligation Bond Funds have been expended only for the authorized bond projects. Consistent with this provision, Section 15286 of the California Education Code requires the performance audit to be conducted in accordance with *Government Auditing Standards* issued by the comptroller General of the United States and be submitted to the Citizen's Oversight Committee by March 31st of each year.

**OBJECTIVES**

The objectives of our performance audit were to:

- Document the expenditures charged to the Chico Unified School District General Obligation Bond Funds
- Determine whether expenditures charged to the General Obligation Bond Funds have been made in accordance with the bond project list approved by the voters through the approval of Measure E in November 2012.

**CHICO UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 MEASURE E AND MEASURE K**  
**GENERAL OBLIGATION BONDS PERFORMANCE AUDIT**  
Year Ended June 30, 2019

- Determine whether expenditures charged to the General Obligation Bond Funds have been made in accordance with the bond project list approved by the voters through the approval of Measure K in November 2016.
- Determine compliance with specific Education Codes Sections related to oversight of bond expenditures.
- Note any incongruities or system weaknesses, or non-compliance with specific Education Code Sections related to oversight of fund expenditures and provide recommendations for improvement.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

**SCOPE OF AUDIT**

The scope of our performance audit covered the fiscal period from July 1, 2018 to June 30, 2019. The sample of expenditures tested included object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

**PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019 for the Measure E and Measure K General Obligation Bond Fund. We also reviewed documentation, including the District website, for compliance with Education Code Sections 15264 and 15272 - 15286. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 Measure E and Measure K with regards to the approved bond projects list and performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure E and Measure K election documents.
- We selected a sample of expenditures from the bond measures for the fiscal year ended June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that funds from the General Obligation Bond funds were generally expended for the construction, reconstruction, acquisition, technological upgrades, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the General Obligation Bond Funds were not used for salaries of school administrators or other operating expenses of the District.

**CHICO UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 MEASURE E AND MEASURE K**  
**GENERAL OBLIGATION BONDS PERFORMANCE AUDIT**  
Year Ended June 30, 2019

**CONCLUSION**

The results of our tests indicated that, in all significant respects, the Chico Unified School District has properly accounted for the expenditures of the funds held in the Measure E and Measure K General Obligation Bond Fund and those expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure E and Measure K General Obligation Bond Funds and expended by the District were not expended for salaries of school administrators or other operating expenditures.

In addition, the results of our tests indicated that, in all significant respects, the District complied with certain provisions of the California Education Code requirements for which the purpose of a Citizens' Oversight Committee is established.

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## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

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**CHICO UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 MEASURE E AND MEASURE K  
GENERAL OBLIGATION BONDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2019**

There are no current year findings or recommendations related to the audit of the Measure E and Measure K Proposition 39 Bond Building Fund for the year ended June 30, 2019.

**CHICO UNIFIED SCHOOL DISTRICT  
PROPOSITION 39 MEASURE E AND MEASURE K  
GENERAL OBLIGATION BONDS  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2019**

There were no prior year findings or recommendations.