

AGENDA ITEM: Citizen's Bond Oversight Committee, Annual Report 2015-2016

Prepared by: Julia Kistle, Director of Facilities & Construction

☒ Consent

Board Date February 15, 2017

☐ Information Only

☐ Discussion/Action

Background Information

The Chico Unified School District (CUSD) was successful at the election conducted on November 6, 2012 in obtaining authorization from the District's voters to issue up to \$78,000,000 aggregate principal amount of the District's general obligation bonds (Measure E). The election was conducted under Proposition 39, being chaptered as the Strict Accountability in Local School Construction bonds Act of 2000, at Section 15264 of the Education Code. Pursuant to Section 15278 of the Education Code, CUSD implemented a Bond Oversight Committee (Committee) for Measure E. The Committee has the following duties:

Inform the Public. The Committee shall inform the public concerning the District's expenditure of bond proceeds.

Review Expenditures. The Committee shall review expenditure reports produced by the District to ensure that (a) bond proceeds were expended only for the purposes set forth in the Measure E; and (b) no bond proceeds were used for teacher or administrative salaries or other operating expenses.

Annual Report. The Committee shall present to the Board, in public session an annual written report which shall include a statement indicating whether the District is in compliance with the requirement of Article XIII A, Section 1(b)(3) of the California Constitution and a summary of the Committee's proceeds and activities for the preceding year.

Educational Implications

The District's Strategic Plan states: "A safe, nurturing and inspiring environment is essential for individuals to thrive."

Fiscal Implications

Measure E bonds are paid through local property taxes. The district maintains fund 22 – Measure E Building Fund to account for expenditures of bond funds for facilities and Fund 58- Measure E Debt Service to account for bond principal and interest payments.

Recommendations

It is recommended the Board approve the Annual Report 2015-2016.

CHICO UNIFIED SCHOOL DISTRICT

**Citizens' Bond Oversight Committee
Measure E**

2015-2016 Annual Report
February 2017

I. Introduction

This is the 2015-2016 Annual Report of Citizens' Bond Oversight Committee (CBOC) for Measure E of the Chico Unified School District. This report is prepared, in conformance with California law, to summarize the work of the Bond Oversight Committee and review the past year of activity.

II. History and Overview of the Citizens' Bond Oversight Committee

On November 6, 2012, the Chico Unified School District ("District") submitted for voter approval Measure E, a bond measure to authorize the sale of \$78 million in bonds for needed repairs, upgrades and new construction projects for the District's schools. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure E passed with 63.32 percent.

Because Measure E passed pursuant to Proposition 39, the District was required to establish a citizen's oversight committee and to conduct two independent audits. The first audit is a financial audit included in the District's annual financial audit. The second audit is a performance audit.

III. Committee Membership

California Education Code, Sections 15278-15282 established the duties of school district and its duly formed citizens' oversight committee with respect to Proposition 39 bond measures. This code requires that the governing board establish and appoint members to an independent citizens' oversight committee within 60 days of the date that election results are certified.

The Committee must consist of at least seven members to serve a term of two years without compensation and for no more than two consecutive terms. The Committee must include:

- a. One member who is active in a business organization representing the business community located within the school district.
- b. One member active in a senior citizens' organization.
- c. One member who is a parent or guardian of a child enrolled in the school district.
- d. One member is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- e. One member who is active in a bona fide taxpayers' organization.

A seven-member Citizens' Bond Oversight Committee was appointed by the Board in March 2013, to provide oversight of all bonds passed under Proposition 39, as required by law.

Current Committee membership includes:

~~Seth Derish — Member~~ — termed out May 2016
 Mark Francis — Vice Chair, Business Representative, Term June 2017
~~Sean Greenwald — Member~~ — termed out May 2015
~~Les Heringer, Jr. — Member~~ — termed out May 2016
~~Gary Loustale — Chair~~ — Resigned December, 2014
~~Peter Milbury — Member~~ — termed out May 2015
~~Tino Nava — Member~~ — termed out May 2016
 Todd Sturgis — Chair, PTA, Term June 2017
 Tracy Bettencourt — Parent/Guardian, Term June 2018
 Randy Salado — Member at Large, Term June 2019
 Katie Simmons — Business Representative, Term June 2019
 Angela Spain — Taxpayer Association, Term June 2018

The CUSD Citizens' Bond Oversight Committee met on the following dates in 2015-16:

- January 11, 2016
 The committee reviewed and discussed the 2014-15 draft bond audit reports, discussed committee recruitment ideas, received an update on master plan projects and was provided information on a potential new school bond on the November 2016 election ballot.

The District is currently spending the remaining \$5M (approx.) dollars from the series A Measure E bond sale on the completion of master plan projects phases 1 and 2. These projects include:

1. Completion of the Phase 1 Master Plan projects
2. Completion of the Phase 2 Technology Infrastructure projects
3. Completion of the Phase 2 Bidwell Junior High School Modernization project

- February 8, 2016
The committee met to finalize the Annual Report to the Board of Education which will be presented at the February 17, 2016 meeting.
- December 12, 2016
The Committee reviewed the duties and by-laws with new members. A drawing of term assignments was held to determine new member terms. The Committee agreed to serve for both Measure E and Measure K oversight in the future. Mr. Bultema informed the Committee on the overall bond program plan for Measure E and Measure K. The Committee reviewed expenses to date funded with Measure E. The Committee was presented with the DRAFT audit report in preparation for the next meeting.
- January 25, 2017
The Committee reviewed and discussed the final audit report for 2015-16 and adopted the Committee's report to be presented the Board of Education on February 15, 2017.

IV. **CBOC Actions**

Measure E expenditures for fiscal year 2015-16 were reviewed by the Committee and accepted at the meeting held on January 25, 2017.

V. **Performance and Financial Audit Reports**

In accordance with the California State Constitution, the District will continue to have a performance audit completed annually until all Measure E funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure E; and to help the District improve its overall bond program.

The June 30, 2016 annual independent financial audit was conducted by Tittle & Company, LLP. Their report, dated December 12, 2016, states that in their opinion the financial statements 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, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The annual independent performance audit was conducted by Tittle & Company, LLC. Their report dated December 12, 2016 states that the results of their procedures indicated that the Chico Unified School District complied, in all material respects, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIA of the California Constitution.

VI. **Communications with the Public**

A CBOC website page, as required by law, exists, and the information that is posted includes CBOC meeting agendas and minutes and committee by-laws. Copies of the Bond Performance Audit have been posted, as is a link for community members interested in becoming a member of the CBOC.

VII. **Expenditures**

| Project Name | Fiscal 2015-16 Expenditures | Status* |
|--|--|----------------|
| Bond Issuance Costs | | in progress |
| Measure E Master Plan | 51,140 | In progress |
| Canopy Replacement CJHS & Rosedale | | completed |
| CHS HVAC Replacement - Library | | completed |
| PV Athletic Facility Planning | | in progress |
| CHS Athletic Facility Planning | | in progress |
| ADA Phase 1 Corporation Yard | | completed |
| Safety & Security | 188,192 | in progress |
| Energy Efficiency LED house lights for CFA | | completed |
| Technology Infrastructure | 14,511 | completed |
| MJHS MP Building Planning & Building | 1,207,829 | in progress |
| Junior High Programming | | completed |
| MJHS Site Drainage | | completed |
| BJHS Conversion/Modernization | 2,480,646 | completed |
| CJHS Conversion | | in progress |
| Technology Infrastructure Phase II | 946,814 | in progress |
| Total | \$4,889,133 | |

VIII. **Conclusions**

As stated in the 2014/15 Annual Report, the Committee continues to be concerned that the District may not be in compliance with the requirements of Article 13A, Section 1(b)(3) of the California Constitution as amended by Proposition 39 related to the use of "premium" sale proceeds to pay interest.

The Committee continues to be concerned that interest may not be an acceptable use of Bond proceeds as it was not included in the full ballot proposition as a use of proceeds and the use was not properly disclosed to voters. This will be a concern through 2016, when the premium is

exhausted. The Committee recognizes that nothing can be done about this as California state law requires the premium portion of Bond sale proceeds to be used only pay interest and for no other purpose.

The Committee does appreciate the work of District staff in gathering additional information and understanding the concern. Further, the Board of Trustees held a Board Workshop dedicated solely to this topic that included bond counsel, independent bond advisors, and the county treasurer to further discuss the expressed concern. The Trustees and District staff are to be commended for their response to the Citizen's Bond Oversight Committee's concerns. The Committee is confident that prior to any additional Measure E bond sales this topic will be discussed in detail by District Staff and the Trustees, and the Committee will have an opportunity to provide input.

The Citizen's Bond Oversight Committee, based on its review of the annual financial and performance audit reports and information received from District staff, Consultants and others, for expenditures through June 30, 2016 agrees the balance of the bond proceeds maintained in the building fund were used in compliance of the California Constitution.

The Chico Unified School District website, <http://www.chicousd.org/Departments/Measure-E-Information/index.html> , provides information on Measure E, annual performance and financial audits, meeting agendas and minutes.

**CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATION BONDS
FINANCIAL AND PERFORMANCE AUDITS**

Year Ended June, 30, 2016

CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATIONS BONDS
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Year Ended June 30, 2016

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FINANCIAL SECTION

**CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATION BONDS
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING
Year Ended June 30, 2016**

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

Measure E is a Proposition 39 bond. 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 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, 2016 all of whom were appointed by the District's Board of Trustees.

| Name | Representation | Education Code Section |
|---------------------|--|------------------------|
| Seth Derish | Parent of a Child Enrolled in the District | 15282(a)(4) |
| Robert Todd Sturgis | Parent of a Child Enrolled in the District and active in a Parent-Teacher Organization | 15282(a)(5) |
| Les Heringer, Jr. | 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) |
| "Vacant" | Active in a Bona-fide Taxpayers' Association | 15282(a)(3) |
| Tino Nava | Community -at- Large | 15282(a) |



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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Measure E 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 and Measure E Bond Building Fund of Chico Unified School District (the "Proposition 39 and Measure E Bond Building Fund") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Proposition 39 and Measure E 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 and Measure E Bond Building Fund, consisting of the net construction proceeds of the Measure E 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 Proposition 39 Bond Building Fund of Chico Unified School District as of June 30, 2016, 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 and Measure E 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 12, 2016 on our consideration of the Proposition 39 and Measure E 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 and Measure E 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 12, 2016 on our consideration of the Proposition 39 and Measure E Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 and Measure E Bond Building Fund for the year ended June 30, 2016 and should be considered in assessing the results of our financial audit.

Tittle & Company, LLP

Chico, California
December 12, 2016

CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E BOND BUILDING FUND
BALANCE SHEET
June 30, 2016

| | |
|---|---------------------|
| ASSETS | |
| Cash in county treasury | \$ 3,071,927 |
| Accounts receivable | 5,010 |
| Due from other funds | 15 |
| Total Assets | \$ 3,076,952 |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts payable | \$ 359,964 |
| Total Liabilities | 359,964 |
| FUND BALANCE | |
| Restricted for capital projects | 2,716,988 |
| Total Liabilities and Fund Balance | \$ 3,076,952 |

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

CHICO UNIFIED SCHOOL DISTRICT
 PROPOSITION 39 AND MEASURE E BOND BUILDING FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Year Ended June 30, 2016

| | |
|---------------------------------------|---------------------|
| REVENUES | |
| Interest income | \$ 19,586 |
| Increase in fair value of investments | 21,929 |
| Total Revenues | 41,515 |
| EXPENDITURES | |
| Classified salaries | 10,268 |
| Employee benefits | 2,693 |
| Books and supplies | 739,120 |
| Services and other operating | 178,593 |
| Capital outlay | 3,958,459 |
| Total Expenditures | 4,889,133 |
| Net Change in Fund Balance | (4,847,618) |
| Fund Balance, July 1, 2015 | 7,564,606 |
| Fund Balance, July 1, 2016 | \$ 2,716,988 |

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

**CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

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

An oversight committee to the District's Governing Board and a Superintendent called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of state law and the provisions of the Measure E 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 Bond funds for school capital improvements within the scope of projects outlined in the Measure E Bond project list. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and the financial audits of Measure E activity.

The statements presented are for the individual Proposition 39 and Measure E Bond Building Fund of the District, consisting of the new construction proceeds of the Measure E 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.

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.

CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E BOND BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016

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 and Measure E 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 and Measure E Bond Building Fund are determined by its measurement focus. The Proposition 39 and Measure E 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 and Measure E Bond Building Fund are accounted for in the government-wide financial statements of the Chico Unified School District.

CHICO UNIFIED SCHOOL DISTRICT
 PROPOSITION 39 AND MEASURE E BOND BUILDING FUND
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2016

2. MEASURE E GENERAL OBLIGATION BONDS

As of June 30, 2016, the principal balance outstanding on the District's Measure E general obligation bonds is indicated as follows:

| Date of Issue | Interest Rate % | Maturity Date | Original Issue | Outstanding July 1, 2015 | Additions | Deletions | Outstanding June 30, 2016 |
|------------------|--------------------|------------------|-------------------|-----------------------------|-----------|-----------|------------------------------|
| 2013 | 5.00% | 2044 | \$ 15,000,000 | \$ 15,000,000 | \$ - | \$ - | \$ 15,000,000 |

The annual requirements to amortize all Measure E general obligation bonds payable, outstanding as of June 30, 2016, are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|----------------------|----------------------|----------------------|
| 2017 | \$ - | \$ 750,000 | \$ 750,000 |
| 2018 | - | 750,000 | 750,000 |
| 2019 | - | 750,000 | 750,000 |
| 2020 | - | 750,000 | 750,000 |
| 2021 | - | 750,000 | 750,000 |
| 2022-2026 | - | 3,750,000 | 3,750,000 |
| 2027-2031 | 490,000 | 3,728,000 | 4,218,000 |
| 2032-2036 | 3,110,000 | 3,311,000 | 6,421,000 |
| 2037-2041 | 6,185,000 | 2,133,375 | 8,318,375 |
| 2042-2044 | 5,215,000 | 406,125 | 5,621,125 |
| | <u>\$ 15,000,000</u> | <u>\$ 17,078,500</u> | <u>\$ 32,078,500</u> |

SUPPLEMENTARY INFORMATION

CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E BOND BUILDING FUND
SCHEDULE OF EXPENDITURES BY PROJECT FOR MEASURE E
Year Ended June 30, 2016

| Project Name | Budget | Prior Expenditures | Current Year Expenditures | Total Expenditures | Status |
|---|---------------|-----------------------|---------------------------------|-----------------------|-------------|
| Bond Issuance Costs | \$ 271,000 | \$ 271,000 | \$ - | \$ 271,000 | In progress |
| Measure E Facilities Master Plan | 638,741 | 638,741 | 51,140 | 689,881 | Complete |
| Canopy Replacement Chico Junior High & Rosedale | 248,277 | 248,277 | - | 248,277 | Complete |
| Chico High HVAC Replacement | 260,180 | 260,180 | - | 260,180 | Complete |
| Pleasant Valley Athletic Facility Planning | 100,000 | 20,478 | - | 20,478 | In progress |
| Chico High Athletic Facility Planning | 100,000 | 20,478 | - | 20,478 | In progress |
| ADA Phase 1 | 484,278 | 204,108 | - | 204,108 | In progress |
| Safety & Security | 942,000 | 277,511 | 188,192 | 465,703 | In progress |
| Energy Efficiency | 3,391 | 3,391 | - | 3,391 | Complete |
| Technology Infrastructure | 2,574,000 | 2,277,450 | 14,511 | 2,291,961 | Complete |
| Marsh Junior Multipurpose Building | 411,229 | 411,229 | 1,207,829 | 1,619,058 | In progress |
| 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 | 1,919,969 | 2,480,646 | 4,400,615 | In progress |
| Technology Infrastructure Phase II | 2,760,733 | 479,090 | 946,815 | 1,425,905 | In progress |
| Total | \$ 15,000,000 | \$ 7,497,573 | \$ 4,889,133 | \$ 12,386,706 | |

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.

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
Measure E 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 and Measure E Bond Building Fund, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Proposition 39 and Measure E Bond Building Fund's basic financial statements, and have issued our report thereon dated December 12, 2016.

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 and Measure E 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 and Measure E 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 12, 2016



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

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and
Measure E 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 and Measure E General Obligation Bond Funds for the year ended June 30, 2016.

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 14 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure E 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 General Obligation Bond Funds for the year ended June 30, 2016, 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 12, 2016

**CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
Year Ended June 30, 2016**

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. 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."

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 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 on November 2012.
- 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.

**CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
Year Ended June 30, 2016**

SCOPE OF AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2015 to June 30, 2016. 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, 2016, 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, 2016 for the Measure E 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 and Measure E 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 election documents.
- We selected a sample of expenditures from the bond measure for the fiscal year ended June 30, 2016, 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.

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 General Obligation Bond Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure E 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.

**SCHEDULE OF FINDINGS AND
RECOMMENDATIONS**

**CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATION BONDS
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016**

There are no current year findings or recommendations related to the audit of the Measure E Proposition 39 Bond Building Fund for the year ended June 30, 2016.

**CHICO UNIFIED SCHOOL DISTRICT
PROPOSITION 39 AND MEASURE E
GENERAL OBLIGATION BONDS
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016**

There were no prior year findings or recommendations.

