

**Chico Unified School District
Proposition 39 and Measure E,
Measure K, and Measure C
General Obligation Bonds**

Chico, California

FINANCIAL AND PERFORMANCE AUDITS

June 30, 2025



Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

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FINANCIAL AUDIT SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Measure E, Measure K, and Measure C Bond Building Fund (the Bonds) of Chico Unified School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bonds of the District as of June 30, 2025, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting—Appendix A*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 1, the financial statements present only the Bonds and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT

(Continued)

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting—Appendix A*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting—Appendix A*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in the California Constitution, Article 13A, we have also issued our performance audit report dated February 6, 2026, on our consideration of the Bonds' compliance with the requirements of Proposition 39. That report is an integral part of the Bonds for the year ended June 30, 2025, and should be considered in assessing the results of our financial audit.



February 6, 2026
Chico, California

FINANCIAL SECTION

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
BALANCE SHEET

June 30, 2025	Measure E	Measure K	Measure C	Total
ASSETS				
Cash and investments	\$ 32,862,415	\$ 20,647,075	\$ 79,614,591	\$ 133,124,081
Accounts receivable	205,340	234,408	499,041	938,789
Due from sub-funds	-	302,113	-	302,113
TOTAL ASSETS	\$ 33,067,755	\$ 21,183,596	\$ 80,113,632	\$ 134,364,983
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and other current liabilities	\$ -	\$ 1,298,376	\$ -	\$ 1,298,376
Due to sub-funds	-	-	302,113	302,113
Total Liabilities	-	1,298,376	302,113	1,600,489
Fund Balance				
Restricted	33,067,755	19,885,220	79,811,519	132,764,494
TOTAL LIABILITIES AND FUND BALANCE	\$ 33,067,755	\$ 21,183,596	\$ 80,113,632	\$ 134,364,983

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

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended June 30, 2025	Measure E	Measure K	Measure C	Total
Revenues				
Other local revenue	\$ 301,925	\$ 1,726,230	\$ 732,622	\$ 2,760,777
Expenditures				
Current:				
Plant services	10,679	778,558	-	789,237
Debt service:				
Issuance costs	234,000	-	400,000	634,000
Capital outlay	-	12,126,923	521,103	12,648,026
Total Expenditures	244,679	12,905,481	921,103	14,071,263
Excess (Deficiency) of Revenues Over Expenditures	57,246	(11,179,251)	(188,481)	(11,310,486)
Other Financing Sources (Uses)				
Proceeds from long-term debt	33,000,000	-	80,000,000	113,000,000
Net Change in Fund Balance	33,057,246	(11,179,251)	79,811,519	101,689,514
Fund Balance - Beginning of Year	10,509	31,064,471	-	31,074,980
Fund Balance - End of Year	\$ 33,067,755	\$ 19,885,220	\$ 79,811,519	\$ 132,764,494

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

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

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 two independent study schools in Chico, California. The District is the sponsoring local educational agency for nine charter schools. These financial statements present only the Measure E, Measure K, and Measure C Bond Building Fund (the Bonds). These financial statements do not include financial information of the remainder of the District's funds, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The board of supervisors for Butte County are empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and maturity value of, and interest on, the Bonds.

Measure E

On November 6, 2012, \$78,000,000 in Measure E general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed in March 2013, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds.

On May 30, 2013, the District issued General Obligation Bonds, Election of 2012, Series A in the amount of \$15,000,000 at a premium of \$1,765,340. The total proceeds from the bond issuance were received by the District and were to be used to improve student access to computers and modern technology, to repair or replace leaky roofs and plumbing systems, upgrade heating, ventilation and cooling systems. The District paid issuance costs totaling \$271,000 from the proceeds.

On August 28, 2018, the District issued General Obligation Bonds, Election of 2012, Series B in the amount of \$30,000,000 at a premium of \$1,895,533. The District paid \$230,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above.

On May 7, 2025, the District issued General Obligation Bonds, Election of 2012, Series C in the amount of \$33,000,000 at a premium of \$3,268,411. The District paid \$234,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above. This represents the final issuance under the 2012 authorization.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Measure K

On November 8, 2016, \$152,000,000 in Measure K general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed in February 2017, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds.

On April 25, 2017, the District issued General Obligation Bonds, Election of 2016, Series A-1 and A-2 in the amount of \$45,000,000 at a premium of \$2,551,664. The total proceeds from the bond issuance were received by the District and were to be used to improve 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. The District paid issuance costs totaling \$278,700 from the proceeds.

On June 20, 2019, the District issued General Obligation B, Election of 2016, Series B in the amount of \$55,000,000 at a premium of \$3,785,024. The District paid \$310,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above.

On August 17, 2021, the District issued General Obligation Bonds, Election of 2016, Series C in the amount of \$52,000,000 at a premium of \$7,943,347. The District paid \$301,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above. This represents the final issuance under the 2016 authorization.

Measure C

On November 5, 2024, \$239,000,000 in Measure C general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed in February 2025, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds.

On May 7, 2025, the District issued General Obligation Bonds, Election of 2024, Series A in the amount of \$80,000,000 at a premium of \$2,531,615. The District paid \$400,000 of issuance costs from the proceeds. The total proceeds from the bond issuance were received by the District and were to be used to improve local school classrooms for math, reading, writing, science, workforce training; replace/repair leaky roofs, windows, plumbing, heating, cooling; update school safety; expand facilities for elementary schools and reading/literacy programs.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Refunding Bonds

On August 17, 2021, the District refunded \$5,775,000 of the Series 2012 Refunding Bonds and \$15,000,000 of General Obligation Bonds, Election of 2012, Series A, with the 2021 General Obligation Refunding Bonds. Resources totaling \$22,391,475 were placed in an irrevocable trust for the purpose of generating resources for all future debt services payments of \$22,439,588 on the refunded general obligation bonds. The balance was satisfied in full in August 2023.

This refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$3,682,069. As a result of the refunding, total debt service payments over the next 19 years will decrease by \$5,400,128.

On May 7, 2025, the District refunded \$16,975,000 of General Obligation Bonds, Election of 2012, Series B, with the 2025 General Obligation Refunding Bonds. Resources totaling \$17,184,847 were placed in an irrevocable trust for the purpose of generating resources for all future debt services payments of \$17,360,575 on the refunded general obligation bonds. Principal and interest from the government securities have been deemed sufficient to retire the outstanding balance of the refunded general obligation bonds.

This refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$915,461. As a result of the refunding, total debt service payments over the next 19 years will decrease by \$1,333,275.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's, *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Basis of Presentation

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

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

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

The Measure E, Measure K, and Measure C Bond Building Fund is a major governmental fund, the Building Fund, of the District. The Building Fund is used to account for proceeds from the sale of bonds and expenditures for purposes authorized in the ballot measures.

Measurement Focus and Basis of Accounting

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

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

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District’s Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

These budgets are revised by the District’s Governing Board and the District’s Superintendent during the year to give consideration to unanticipated income and expenditures.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

In accordance with *California Education Code*, Section 41001, the District maintains substantially all cash in the Butte County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The fair value of the District's investment in the pool is based on the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2025, the fair value of the County pool was 100.27% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available.

The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during the year ended June 30, 2025, was \$887,696. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2025, was \$390,573.

Accounts Receivable

Accounts receivable represents interest income accrued but not received, as of June 30, 2025. At June 30, 2025, no allowance for doubtful accounts was deemed necessary.

Balances Due To/From Sub-Funds

During the course of operations, numerous transactions occur between the sub-funds that may result in amounts owed between the sub-funds.

Chico Unified School District
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General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Equity Classifications

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

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

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

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

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

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

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

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Expenditures

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

- Governmental funds – by character:
 - Current (further classified by function)
 - Debt service
 - Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

3. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2025	Maturities	Fair Value
Investments That Are Not Securities (1)		
County treasurer's investment pool	1.55 years average	\$ 133,124,081

(1) Investments That Are Not Securities A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

All cash and investments are restricted to expenditures for purposes authorized in the ballot measures.

Investment Credit Risk

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District does not have an investment policy that would further limit investment choices. The District’s investment in the County investment pool is unrated.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2025:

- County treasurer's investment pool of \$133,124,081 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Concentration of Credit Risk – Investments

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

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

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

No more than 10% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises and where otherwise noted; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 40% may be invested in bankers' acceptances and no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; no more than 30% may be invested in medium-term notes; no more than 20% may be invested in mortgage passthrough and related securities; and no more than 30% may be invested in certain unsecured, unsubordinated obligations.

Chico Unified School District
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General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2025

Interest	\$ 938,789
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5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2025

Vendors	\$ 1,298,376
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6. BALANCES DUE TO/FROM SUB-FUNDS

Balances due to/from sub-funds in bond fund financial statements are as follows:

Due From Sub-Funds	Due to Sub-Funds	
Measure K	Measure C	\$ 302,113

The specific purposes of the balances due to/from other funds are as follows:

Measure K interfund receivable from Measure C represents project expenditures paid from Measure K funds that are attributable to Measure C projects.

7. FUND BALANCE COMPONENTS

Fund balance is composed of the following:

June 30, 2025

Restricted	
Restricted for capital projects	\$ 132,764,494

Chico Unified School District
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General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. CONSTRUCTION PROJECT COMMITMENTS

Construction project commitments are as follows:

June 30, 2025	Remaining Construction Commitments
McManus phase IV	\$ 3,088,779
Inspire campus	33,828,963
Nord sidewalks	192,000
District restrooms	1,377,178
Total	\$ 38,486,920

OTHER REPORT SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the Measure E, Measure K, and Measure C Bond Building Fund of Chico Unified School District (the District) as of and for the year ended June 30, 2025; and the related notes to the financial statements; and have issued our report thereon dated February 6, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

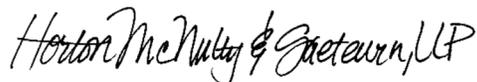
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure E, Measure K, and Measure C Bond Building Fund of the District 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 financial statements. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 6, 2026
Chico, California

FINDINGS AND RECOMMENDATIONS SECTION

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
SCHEDULE OF AUDIT FINDINGS
June 30, 2025

None.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2025

None.

PERFORMANCE AUDIT SECTION

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

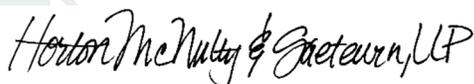
We have conducted a performance audit of the Chico Unified School District's (the District) Proposition 39 and Measure E, Measure K, and Measure C General Obligation Bonds (the Bonds) for the year ended June 30, 2025.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting—Appendix A*, published by the Education Audit Appeals Panel. Those standards and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 26 of this report, which includes determining the District's compliance with the performance requirements for the 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 aspects, the District expended the Bonds for the year ended June 30, 2025, only for the specific projects developed by the District's Board of Trustees, as 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*.



February 6, 2026
Chico, California

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
PERFORMANCE AUDIT

OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to the voter-approved Proposition 39 and Measure E, Measure K, and Measure C General Obligation Bonds (the Bonds); determine whether expenditures for the fiscal year ended June 30, 2025, charged to the building fund, have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; provide recommendations for improvements; and to provide the District's Board of Trustees and Citizens' Oversight Committee with a performance audit as required under the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2025. The expenditures included all object and project codes associated with the Bonds' projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2025, were not reviewed or included within the scope of our audit or in this report.

BACKGROUND INFORMATION

California Constitution, Article 13A, Section 1(b)(3) requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by the District.

Measure E

On November 6, 2012, \$78,000,000 in Measure E general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed in March 2013, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds.

On May 30, 2013, the District issued General Obligation Bonds, Election of 2012, Series A in the amount of \$15,000,000 at a premium of \$1,765,340. The total proceeds from the bond issuance were received by the District and were to be used to improve student access to computers and modern technology, to repair or replace leaky roofs and plumbing systems, upgrade heating, ventilation and cooling systems. The District paid issuance costs totaling \$271,000 from the proceeds.

On August 28, 2018, the District issued General Obligation Bonds, Election of 2012, Series B in the amount of \$30,000,000 at a premium of \$1,895,533. The District paid \$230,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above.

On May 7, 2025, the District issued General Obligation Bonds, Election of 2012, Series C in the amount of \$33,000,000 at a premium of \$3,268,411. The District paid \$234,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above. This represents the final issuance under the 2012 authorization.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
PERFORMANCE AUDIT
(Continued)

Measure K

On November 8, 2016, \$152,000,000 in Measure K general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed in February 2017, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds.

On April 25, 2017, the District issued General Obligation Bonds, Election of 2016, Series A-1 and A-2 in the amount of \$45,000,000 at a premium of \$2,551,664. The total proceeds from the bond issuance were received by the District and were to be used to improve 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. The District paid issuance costs totaling \$278,700 from the proceeds.

On June 20, 2019, the District issued General Obligation B, Election of 2016, Series B in the amount of \$55,000,000 at a premium of \$3,785,024. The District paid \$310,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above.

On August 17, 2021, the District issued General Obligation Bonds, Election of 2016, Series C in the amount of \$52,000,000 at a premium of \$7,943,347. The District paid \$301,000 of issuance costs from the proceeds. Bond proceeds will be used for the projects noted above. This represents the final issuance under the 2016 authorization.

Measure C

On November 5, 2024, \$239,000,000 in Measure C general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed in February 2025, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds.

On May 7, 2025, the District issued General Obligation Bonds, Election of 2024, Series A in the amount of \$80,000,000 at a premium of \$2,531,615. The District paid \$400,000 of issuance costs from the proceeds. The total proceeds from the bond issuance were received by the District and were to be used to improve local school classrooms for math, reading, writing, science, workforce training; replace/repair leaky roofs, windows, plumbing, heating, cooling; update school safety; expand facilities for elementary schools and reading/literacy programs.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
PERFORMANCE AUDIT
(Continued)

Refunding Bonds

On August 17, 2021, the District refunded \$5,775,000 of the Series 2012 Refunding Bonds and \$15,000,000 of General Obligation Bonds, Election of 2012, Series A, with the 2021 General Obligation Refunding Bonds. Resources totaling \$22,391,475 were placed in an irrevocable trust for the purpose of generating resources for all future debt services payments of \$22,439,588 on the refunded general obligation bonds. The balance was satisfied in full in August 2023.

This refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$3,682,069. As a result of the refunding, total debt service payments over the next 19 years will decrease by \$5,400,128.

On May 7, 2025, the District refunded \$16,975,000 of General Obligation Bonds, Election of 2012, Series B, with the 2025 General Obligation Refunding Bonds. Resources totaling \$17,184,847 were placed in an irrevocable trust for the purpose of generating resources for all future debt services payments of \$17,360,575 on the refunded general obligation bonds. Principal and interest from the government securities have been deemed sufficient to retire the outstanding balance of the refunded general obligation bonds.

This refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$915,461. As a result of the refunding, total debt service payments over the next 19 years will decrease by \$1,333,275.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
PERFORMANCE AUDIT
(Continued)

AUDIT METHODOLOGY

The methodologies used in planning and performing the audit include:

- We interviewed District personnel to gain an understanding of the District’s bidding and disbursement procedures.
- We reviewed policies and procedures and evaluated significant internal controls relevant to the audit objectives.
- We reviewed the District’s bond project publicized list of intended projects.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We reviewed documentation, including the District’s website, that the Measure E, Measure K, and Measure C Bond Oversight Committee reviewed project expenditures and issued reports on the results of its activities at least annually.
- We obtained the building fund general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2025. Within the year audited, we obtained the actual invoices and other supporting documentation for a representative sample of expenditures to review compliance with Proposition 39 and Measure E, Measure K, and Measure C General Obligation Bonds funding. We performed the following procedures:
 - We reviewed invoices for evidence of proper approval in accordance with District policy.
 - We reviewed supporting documentation to ensure that funds were properly expended on the specific projects as outlined in the publicized list. This includes that the funds were expended for the construction, renovation, furnishing, and equipping of school facilities on specified projects included in the Measure E, Measure K, and Measure C election documents.
 - We reviewed bid documentation to verify that bidding requirements were met, if applicable.
 - We verified that funding was not used for salaries or school administrators or other operating expenditures of the District.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

PERFORMANCE AUDIT
(Continued)

RESULTS OF PROCEDURES

The District utilized Measure E bond funds for 21 projects. The District incurred total expenditures of \$45,821,141 for the following projects:

Year Ended June 30, 2025	Budgets		Expenditures		Status
		Prior	Current	Total	
General Exp, FMP Revision & Phase 3 Planning	\$ 736,258	\$ 500,578	\$ 235,680	\$ 736,258	In Progress
Measure E Master Plan	638,741	638,741	-	638,741	Completed
Canopy Replacement CJHS & Rosedale	248,277	248,277	-	248,277	Completed
CHS HVAC Replacement - Library	260,180	260,180	-	260,180	Completed
PV Athletic Facility Planning	100,000	100,000	-	100,000	Completed
CHS Athletic Facility Planning	100,000	100,000	-	100,000	Completed
ADA Phase 1 Corporation Yard	204,108	204,108	-	204,108	Completed
Safety & Security	5,720,000	2,408,159	8,999	2,417,158	In progress
Energy Efficiency LED house lights for CFA	3,392	3,391	-	3,391	Completed
Technology Infrastructure	2,291,961	2,291,961	-	2,291,961	Completed
MJHS MP Building Planning & Building	8,457,000	2,062,516	-	2,062,516	Completed
Junior High Programming	46,952	46,952	-	46,952	Completed
MJHS Site Drainage	418,719	418,719	-	418,719	Completed
BJHS Conversion/Modernization	5,740,500	4,471,863	-	4,471,863	Completed
Technology Infrastructure Phase II	2,704,733	1,471,143	-	1,471,143	Completed
Marigold Elementary Phase III	39,483,441	10,611,243	-	10,611,243	Completed
Shasta Elementary Phase III	19,113,482	3,422	-	3,422	Completed
Neal Dow Elementary Phase III	26,212,108	10,159,056	-	10,159,056	Completed
Loma Vista Elementary Phase III	16,521,159	7,435,022	-	7,435,022	Completed
Hooker Oak Shade Structure	56,312	56,312	-	56,312	Completed
Emma Wilson	5,680,353	2,084,819	-	2,084,819	Completed
Total	\$ 134,737,676	\$ 45,576,462	\$ 244,679	\$ 45,821,141	

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

PERFORMANCE AUDIT
(Continued)

The District utilized Measure K bond funds for 30 projects. The District incurred total expenditures of \$138,312,063 for the following projects:

Year Ended June 30, 2025	Budgets		Expenditures		Status
		Prior	Current	Total	
General Exp, Bond Issuance	\$ 626,687	\$ 623,387	\$ 3,300	\$ 626,687	In progress
CHS Ag CTEFP	658,739	658,738	-	658,738	Completed
Measure K Project Management	4,451	4,451	-	4,451	Completed
Marigold Elementary Phase III	24,984,899	24,984,899	-	24,984,899	Completed
PVHS Stadium Athletic Master Plan Phase I	4,378,582	4,378,582	-	4,378,582	Completed
Shasta Elementary Phase III	6,990,410	6,990,410	-	6,990,410	Completed
Neal Dow Elementary Phase III	14,949,382	14,949,382	-	14,949,382	Completed
CHS Big Gym HVAC	781,623	781,623	-	781,623	Completed
Loma Vista Elementary Phase III	7,562,084	7,562,084	-	7,562,084	Completed
CHS Stadium Athletic Master Plan Phase I	6,920,818	6,920,817	-	6,920,817	Completed
PVHS Small Gym HVAC	480,840	480,840	-	480,840	Completed
Emma Wilson	3,585,449	3,585,449	-	3,585,449	Completed
PVHS Phase IV Project	11,774,108	11,774,108	-	11,774,108	Completed
Beam Repair - Elementary Sites	8,634	8,634	-	8,634	Completed
McManus Elementary Phase IV	41,070,500	23,294,230	9,718,075	33,012,305	In progress
PVHS CTE Round 6	4,432,776	4,432,775	-	4,432,775	Completed
FVHS Restrooms	386,492	386,491	-	386,491	Completed
Citrus Phase IV	19,233,500	9,948	374,557	384,505	In progress
Restrooms non-DSA	5,703,648	-	35,082	35,082	In progress
Restrooms DSA	5,661,229	-	2,259	2,259	In progress
Balance Carried Forward	\$ 148,829,974	\$ 111,826,848	\$ 10,133,273	\$ 121,960,121	

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

PERFORMANCE AUDIT
(Continued)

Year Ended June 30, 2025	Budgets			Expenditures		Status
		Prior	Current	Total		
Balance Brought Forward	\$ 148,829,974	\$ 111,826,848	\$ 10,133,273	\$ 121,960,121		
<i>Charter Facilities Projects:</i>						
Charter General Expenses	340	340	-	340		In progress
Chico Country Day School	5,714,238	5,189,474	67,544	5,257,018		In progress
Nord Country School	1,656,917	1,260,352	1,082	1,261,434		In progress
Forest Ranch	1,423,249	1,045,221	82,816	1,128,037		In progress
Step Up Academy	109,345	109,345	-	109,345		Completed
Sherwood Montessori	1,402,006	1,004,421	130,542	1,134,963		In progress
Inspire School of Arts and Sciences	3,377,561	2,099,466	250,413	2,349,879		In progress
Blue Oak	3,834,275	289,749	2,137,066	2,426,815		In progress
CORE Butte	4,248,504	2,124,942	33,500	2,158,442		In progress
Wildflower	1,550,704	456,424	69,245	525,669		In progress
Total	\$ 172,147,113	\$ 125,406,582	\$ 12,905,481	\$ 138,312,063		

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds

PERFORMANCE AUDIT
(Continued)

The District utilized Measure C bond funds for 4 projects. The District incurred total expenditures of \$921,103 for the following projects:

Year Ended June 30, 2025	Budgets		Expenditures			Status
			Prior	Current	Total	
General Exp, Bond Issuance	\$ 1,200,000	\$ -	\$ 400,000	\$ 400,000	\$ 400,000	In progress
Rosedale Phase IV	93,154,600	-	173,434	173,434	173,434	In progress
Chapman Phase V	65,881,200	-	175,734	175,734	175,734	In progress
Parkview Phase V	71,022,160	-	171,935	171,935	171,935	In progress
Total	\$ 231,257,960	\$ -	\$ 921,103	\$ 921,103	\$ 921,103	

The District assigns each identified project a specific project identification number within the District’s financial reporting system. A budget is developed for each project, which is also recorded within the District’s financial reporting system, and actual expenditures are matched against this budget. The District anticipates that large capital projects may be funded through various resources. The budgets included in the preceding tables include the total expected cost of the projects regardless of how the projects are funded, while the actual expenditures represent only those expenditures paid from the building fund.

Chico Unified School District
Proposition 39 and Measure E, Measure K, and Measure C
General Obligation Bonds
PERFORMANCE AUDIT
(Continued)

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the Measure E, Measure K, and Measure C General Obligation Bonds and that such expenditures were made only for the specific projects developed by the District's Board of Trustees and approved by the voters. Further, it was noted that the funds were not used 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 the Citizens' Oversight Committee is established. Our audit does not provide a legal determination on the District's compliance with the specific requirements.

VIEW OF RESPONSIBLE OFFICIAL

District management has reviewed the submitted draft final report for the performance audit dated February 6, 2026, of the Proposition 39 and Measure E, Measure K, and Measure C General Obligation Bonds. District management agrees with the auditors' conclusion and has no additional comments.