

**THERMALITO UNION ELEMENTARY SCHOOL DISTRICT
2018 MEASURE Z
GENERAL OBLIGATION BOND
BUILDING FUND**

**COUNTY OF BUTTE
OROVILLE, CALIFORNIA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Citizen's Oversight Committee
and Governing Board
Thermalito Union Elementary School District
Oroville, California

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Thermalito Union Elementary School District (the District), 2018 Measure Z General Obligation Bond Fund (the Fund), and the related statement of revenues, expenditures, and changes in fund balance as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

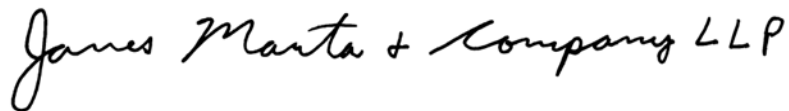
In our opinion, the fund financial statements referred to above present fairly, in all material respects, the financial position of the Thermalito Union Elementary School District 2018 Measure Z General Obligation Bond Fund (the Fund) as of June 30, 2020 and the results of its operations the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements referred to above present only the individual 2018 Measure Z General Obligation Bond Building Fund and are not intended to present fairly the financial position and results of operations of the District in conformity with generally accepted accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2020 on our consideration of the fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 entities internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 20, 2020

BASIC FINANCIAL STATEMENTS

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

BALANCE SHEET

JUNE 30, 2020

ASSETS

Cash and cash equivalents	<u>\$ 2,226,465</u>
Total Assets	<u><u>\$ 2,226,465</u></u>

**LIABILITIES AND
FUND BALANCES**

Liabilities	
Accounts payable	<u>\$ 32,350</u>
Total Liabilities	<u>32,350</u>
Fund balances	
Restricted for Measure Z projects	<u>2,194,115</u>
Total Fund Balances	<u>2,194,115</u>
Total liabilities and fund balances	<u><u>\$ 2,226,465</u></u>

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

REVENUES

Other local revenues	\$ 84,957
	<u>84,957</u>
Total revenues	<u>84,957</u>

EXPENDITURES

Services and other operating expenditures	55,174
Capital outlay	<u>213,605</u>
Total expenditures	<u>268,779</u>
Net change in fund balances	(183,822)
Fund balances, July 1, 2019	<u>2,377,937</u>
Fund balances, June 30, 2020	<u><u>\$ 2,194,115</u></u>

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The accounting policies of the 2018 Measure Z General Obligation Bond Fund (the Fund) of the Thermalito Union Elementary School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

The Thermalito Union Elementary School District (the "District") provides educational services to the residents in and around Thermalito, a census designated place, and the City of Oroville (the "City"), the county seat of Butte County (the "County"), in the State of California (the "State"). The District is an elementary school district providing education for students in grades kindergarten through eight. The District currently operates six elementary schools. Graduating eighth grade students attend high school in the Oroville Union High School District. Enrollment in the District is approximately 1,554 students in fiscal year 2018-19.

On November 6, 2018, the voters of the District approved by a margin of 60.45% Measure Z, authorizing the issuance of \$4,500,000 of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. Because the Bond required only 55% of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizen's bond oversight committee and to conduct a financial and performance audit.

The Committee's oversight goals include ensuring expenditures are within the language of the ballot measure and advising the District's Governing Board on various projects. The citizens' oversight committee must include, among others, representation of a bona fide taxpayers association, a business organization and a senior citizens organization. No district employees or vendors are allowed to serve on the citizens' oversight committee.

The fund financial statements presented are for the Measure Z General Obligation Bond Building Fund. Since this is just one component of the District, these financial statements are not intended to be a complete presentation of the District's financial position or results of operations. Accordingly, these fund statements do not include a government wide financial statement, management discussion and analysis or related organizational disclosures. The audited financial statements of Thermalito Union Elementary School District include the Measure Z General Obligation Bond Building Fund activities, related debt and disclosures as well as management's discussion and analysis.

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The proceeds from the sale of general obligation bonds and the subsequent expenditure of the bond funds are accounted for in the Building fund of the District. Any premium received from the sale of the bonds is deposited in the Bond and Interest Redemption fund of the District. The Measure Z Bond Building Fund forms part and not all of the net financial position in the District's Building Fund which contains other sources of funding.

C. ACCOUNTING POLICIES

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

E. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

F. ENCUMBRANCES

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

G. DEPOSITS AND INVESTMENTS

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

H. CAPITAL AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the General Obligation Bond Building Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and liabilities are generally included on the balance sheet.

The reported fund balances are considered a measure of "available spendable resources". Thus, the capital assets and long-term liabilities associated with the Measure Z General Obligation Bond Building Fund are accounted for in the basic financial statements of the District.

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

I. FUND BALANCE – GOVERNMENTAL FUNDS

As of June 30, 2020, fund balances of the 2018 Measure Z General Obligation Bond Building Fund are classified as restricted. Restricted funds can only be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020 consist of \$2,226,465 cash in the county treasury.

A. Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon 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.

Cash in County Treasury consists of District cash held by the Butte County Treasury that is invested in the county investment pool. The Treasury permits negative cash balances so long as the District's total cash in county treasury has a positive balance.

The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon 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 weighted average maturity of the pool is 620 days. The pool is rated AAA by Standard and Poor's.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). Cash in County Treasury consists of District cash held by the Butte County Treasury that is invested in the county investment pool. The Treasury permits negative cash balances so long as the District's total cash in county treasury has a positive balance.

B. Cash with Fiscal Agent

Cash with fiscal agent consist of a tax-exempt money market mutual fund which invests in short-term municipal obligations that provide income. The fund is currently unrated as to credit risk.

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

2. CASH AND CASH EQUIVALENTS (CONTINUED)

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. the 2018 Measure Z General Obligation Bond Building Fund had no interfund balance as of June 30, 2020.

4. 2018 Measure Z GENERAL OBLIGATION BONDS

The authorized issuance amount of the bonds is \$4,500,000. On February 26, 2019, the District issued the Series A, the first series of bonds in the amount of \$2,500,000. The sources and uses of funds are detailed below.

Series A

The proceeds of the Bonds were applied as follows:

Sources of Funds

Principal Amount of Bonds	\$ 2,500,000
Net Original Issue Premium	142,780
Total Sources	<u>\$ 2,642,780</u>

Uses of Funds

Deposited to Building Fund	\$ 2,380,000
Deposited to Bond Interest and Redeption Fund	98,961
Costs of Issuance	163,819
	<u>\$ 2,642,780</u>

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

5. COMMITMENTS AND CONTINGENCIES

As of June 30, 2020, the Building Fund had the following commitments with respect to unfinished capital projects:

<u>Project Name</u>	<u>Initial Committed Balance</u>	<u>Cumulative Expenses</u>	<u>Committed Balance at June 30, 2020</u>
PBK Project #1 Poplar & Sierra Project	\$ 78,900	\$ 52,980	\$ 25,920
PBK Project #2 TLC Relocation Project	230,000	88,625	141,375
PBK Project #3 Poplar Modernization Project	252,000	72,000	180,000
Total	<u>\$ 560,900</u>	<u>\$ 213,605</u>	<u>\$ 347,295</u>

6. SUBSEQUENT EVENTS

The District's management evaluated its June 30, 2020 financial statements for subsequent events through November 20, 2020, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

FULL TEXT OF BOND MEASURE

BOND AUTHORIZATION

By approval of this measure by at least 55% of the registered voters voting on the measure, the District will be authorized to issue and sell bonds of up to \$4.5 million in aggregate principal amount at interest rates not to exceed legal limits and to provide financing for the specific types of school facilities projects listed in the Bond Project List included below, subject to all the accountability requirements specified below.

ACCOUNTABILITY REQUIREMENTS

The provisions in this section are specifically included in this measure in order that the voters and taxpayers in the District may be assured that their money will be spent wisely. Expenditures to address specific facilities needs of the District will be in compliance with the requirements of Article XIII A, Section 1(b)(3), of the State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following.)

Evaluation of Needs. The Board of Trustees of the District has identified detailed facilities needs of the District and has determined which projects to finance from a local bond. The Board of Trustees hereby certifies that it has evaluated safety, class size reduction, enrollment growth, and information technology needs in developing the Bond Project List included below.

Independent Citizens' Oversight Committee. Following approval of this measure, the Board of Trustees will establish an independent citizens' oversight committee, under California Education Code Sections 15278 and following, to ensure bond proceeds are expended only on the types of school facilities projects listed below. The committee will be established within 60 days of the date when the results of the election appear in the minutes of the Board of Trustees.

Performance Audits. The Board of Trustees will conduct annual, independent performance audits to ensure that the bond proceeds have been expended only on the school facilities projects listed below.

Financial Audits. The Board of Trustees will conduct annual, independent financial audits of the bond proceeds until all of those proceeds have been spent for the school facilities projects listed below.

Government Code Accountability Requirements. As required by Section 53410 of the Government Code, (1) the specific purpose of the bonds is set forth in this Full Text of the Measure, (2) the proceeds from the sale of the bonds will be used only for the purposes specified in this measure, and not for any other purpose, (3) the proceeds of the bonds, when and if issued, will be deposited into a building fund to be held by the Butte County Treasurer, as required by the California Education Code, and (4) the Superintendent of the District shall cause an annual report to be filed with the Board of Trustees of the District not later than January 1 of each year, which report shall contain pertinent information regarding the amount of funds collected and expended, as well as the status of the projects listed in this measure, as required by Sections 53410 and 53411 of the Government Code.

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

FULL TEXT OF BOND MEASURE

NO TEACHER SALARIES

Proceeds from the sale of bonds authorized by this measure shall be used only for the purposes specified in Article XIII A, Section 1(b)(3), those being for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and the acquisition or lease of school facilities, and not for any other purpose, including teacher salaries and other school operating expense.

STATE MATCHING FUNDS

The following statement is included in this measure pursuant to Education Code Section 15122.5: Approval of this measure does not guarantee that the proposed projects that are the subject of bonds under this measure will be funded beyond the local revenues generated by this measure. The District's proposal for the projects described below may assume the receipt of matching state funds, which, if available, could be subject to appropriation by the Legislature or approval of a statewide bond measure.

ESTIMATES AND PROJECTIONS INCLUDED IN BALLOT

Any estimates or projections in the bond measure or ballot materials, such as relating to estimated tax rates, the duration of issued bonds and related tax levies and collections are provided as informational only. Such amounts are estimates and are not maximum amounts or limitations on the terms of the bonds, the tax rate or duration of the tax supporting repayment of issued bonds. Such estimates depend on numerous variables which are subject to variation and change over the term of the District's overall facilities and bond financing plan, including but not limited to the amount of bonds issued and outstanding at any one time, the interest rates applicable to issued bonds, market conditions at the time of sale of the bonds, when bonds mature, timing of project needs and changes in assessed valuations in the District. As such, while such estimates and approximations are provided based on information currently available to the District and its current expectations, such estimates and approximations are not limitations and are not binding upon the District.

BOND PROJECT LIST

Projects which are described below include all related and incidental costs, including their share of the costs of the election and bond issuance and costs of design, engineering, architect and other professional services, inspections, site preparation, utilities, and other planning, leg 1. accounting and similar costs, independent annual financial and performance audits, a customary contingency, and other costs incidental to and necessary for completion of the listed projects.

The District may alter the scope and nature of any of the specific projects that are described below as required by conditions that arise over time. This measure authorizes bond projects to be undertaken at all District sites, including current and future sites.

Whenever specific items are included in the following list, they are presented to provide examples and are not intended to limit the generality of the broader description of authorized projects. The order in which particular projects are listed is not intended to indicate priority for funding or completion. The itemization of projects in the list below does not guarantee that all such projects will be undertaken. The ability of the District to undertake and complete the listed projects is subject to the adequacy and availability of sufficient funding sources.

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

2018 MEASURE Z GENERAL OBLIGATION BOND BUILDING FUND

FULL TEXT OF BOND MEASURE

The items presented on the following list are the types of projects authorized to be financed with voter-approved bond proceeds.

- Construct, modernize, renovate, replace and/or expand aging and outdated school classrooms, restrooms and related facilities to meet 21st century standards, including providing updated furnishings and other equipment to facilitate a modern learning environment
- Provide clean and safe classrooms, and a quality learning environment for current and future students
- Repair or replace leaky roofs
- Improve, and upgrade technology infrastructure, electrical systems and wiring for computers and Internet access
- Make other basic repairs, including to roofing, plumbing, electrical and sewer systems
- Make health, safety and security improvements to comply with all applicable laws and regulations and to ensure the safety and security of District students, staff and facilities
- Make Federal and State-mandated Americans with Disabilities Act (ADA) accessibility upgrades including but not limited to ensuring site access, parking, staff and student restrooms, relocation of existing electrical devices, drinking fountains, and playground equipment, as necessary to ensure adequate accommodations are provided and all legal requirements are met
- Abate and remove hazardous materials identified prior to or during construction
- Repair, replace and/or upgrade paved surfaces, turf, grounds and outdoor areas, including to eliminate safety hazards and to facilitate outdoor instruction and gathering spaces
- Upgrade, repair and/or expand school site parking, roadways, grounds and other infrastructure such as utility systems, including installing exterior lighting, repairing pathways, walkways, ADA access ramps, and make landscaping improvements including irrigation

Each of the bond projects described in this Bond Project List include the costs of furnishing and equipping such facilities, and all costs which are incidental but directly related to the types of projects described above. Examples of incidental costs include, but are not limited to: costs of design, engineering, architect and other professional services, facilities assessments, inspections, site preparation, utilities, landscaping, construction management and other planning and permitting, legal, accounting and similar costs; independent annual financial and performance audits; a customary construction contingency; demolition and disposal of existing structures; the costs of interim housing and storage during construction including relocation and construction costs incurred relating to interim facilities; rental or construction of storage facilities and other space on an interim basis for materials and other equipment and furnishings displaced during construction; costs of relocating facilities and equipment as needed in connection with the projects; interim classrooms and facilities for students, administrators, and school functions, including modular facilities; federal and state-mandated safety upgrades; addressing unforeseen conditions revealed by construction/modernization

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

FULL TEXT OF BOND MEASURE

and other necessary improvements required to comply with existing building codes, including the Field Act; access requirements of the Americans with Disabilities Act; necessary costs of the District incurred by calling and conducting the election; bond issuance costs; and project administration during the duration of such projects, as permitted by law.

The scope and nature of any of the specific projects described above may be altered by the District as required by unforeseen conditions that may arise during the course of design and construction. In the event that a modernization or renovation project is more economical for the District to be undertaken as new construction, this bond measure authorizes land acquisition, relocation, expansion and construction and/or reconstruction, and all costs relating thereto, for said reason or, alternatively, based on other considerations deemed in the best interest of the District by the Governing Board. In addition, this measure authorizes the acquisition of real property, including necessary rights of ways or other real property interests, required to expand District facilities, to provide access to school or other District facilities, or to provide additional school or related facilities. In addition, authorized projects include reimbursements for paid project costs and paying and/or prepaying interim or previously obtained financing for the types of projects included on the project list, such as bond anticipation notes, and including payment and prepayment of lease payments relating to projects and/or equipment previously financed.

Approval of the District's bond measure does not guarantee that all of the identified projects within this Bond Project List will be funded beyond what can be completed with local funds generated by the bond measure. The District may pursue funds from the State of California, if available, to complete certain of the identified facilities projects.

The order in which school facilities projects are listed in the foregoing Bond Project List does not suggest an order of priority. Project priorities will be determined by the Governing Board. The District is unable to anticipate all unforeseen circumstances which may prevent some of the projects listed above from being undertaken or completed.

The Bond Project List shall be considered a part of this ballot proposition, and shall be reproduced in any official document required to contain the full statement of the bond proposition.

TAX RATE STATEMENT

\$4.5 MILLION GENERAL OBLIGATION BONDS

An election was held for the Thermalito Union Elementary School District (the "District") on November 6, 2018 to authorize the sale of up to \$4.5 million in general obligation bonds of the District to finance school facilities as described in the measure. The bonds were authorized and sold, principal and interest on the bonds will be payable only from the proceeds of ad valorem tax levies made upon the taxable property in the District. The following information is submitted in compliance with Sections 9400-9404 of the Elections Code of the State of California. Such information is based upon the best estimates and projections presently available from official sources, upon experience within the District, and other demonstrable factors.

THERMALITO UNION ELEMENTARY SCHOOL DISTRICT

**2018 MEASURE Z GENERAL OBLIGATION BOND
BUILDING FUND**

FULL TEXT OF BOND MEASURE

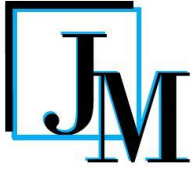
Based upon the foregoing and projections of the District's assessed valuation, the following information is provided:

1. The best estimate of the average annual tax rate that would be required to fund this bond issue over the entire duration of the bond debt service, based on estimated assessed valuations available at the time of filing of this statement, is \$0.03 per \$100 (\$30 per \$100,000) of assessed valuation. The final fiscal year in which it is anticipated that the tax will be collected is 2050-51.
2. The best estimate of the highest tax rate that would be required to fund this bond issue, based on estimated assessed valuations available at the time of filing this statement, is \$0.03 per \$100 (\$30 per \$100,000) of assessed valuation. This rate is projected to apply in each fiscal year that the bonds are outstanding. It is estimated that such rate would be levied starting in fiscal year 2019-20 and following.
3. The best estimate of total debt service, including principal and interest, that would be required to be repaid if all the bonds are issued and sold will be approximately \$9.15 million.

Voters should note the estimated tax rate is based on the assessed value (not market value) of taxable property on the County's official tax rolls. In addition, taxpayers eligible for a property tax exemption, such as the homeowner's exemption, will be taxed at a lower effective tax rate than described above. Property owners should consult their own property tax bills and tax advisors to determine their property's assessed value and any applicable tax exemptions.

The attention of all voters is directed to the fact that the foregoing information is based upon projections and estimates only, which amounts are not maximum amounts and are not binding upon the District. The actual debt service, tax rates and the years in which they will apply may vary from those used to provide the estimates set forth above, due to factors such as variations in the timing of bond sales, the par amount of bonds sold and market interest rates available at the time of each sale, actual assessed valuations over the term of the bonds, and other factors. The date and amount of bonds sold at any given time will be determined by the District based on the need for project funds and other considerations. The actual interest rates at which the bonds will be sold will depend on conditions in the bond market at the time of sale. Actual future assessed valuations will depend upon the amount and value of taxable property within the District as determined by the County Assessor in the annual assessment and the equalization process.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**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***

INDEPENDENT AUDITOR'S REPORT

Citizen's Oversight Committee
and Governing Board
Thermalito Union Elementary School District
Oroville, 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 fund financial statements of the 2018 Measure Z General Obligation Bond Building Fund of Thermalito Union Elementary School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 2018 Measure Z General Obligation Bond Building Fund's fund financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 2018 Measure Z General Obligation Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the 2018 Measure Z General Obligation Bond Building Fund'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.

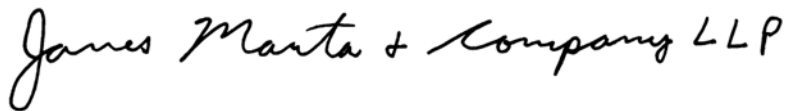
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 2018 Measure Z General Obligation Bond Building Fund's fund 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. This report is intended solely for the information and use of management, and the Citizen's Oversight Committee and Governing Board of Thermalito Union Elementary School District, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 20, 2020



James Marta & Company

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT
ON MEASURE Z BOND PERFORMANCE**

Citizen's Oversight Committee
and Governing Board Measure Z
General Obligation Bonds Building Fund
Thermalito Union Elementary School District
Oroville, California

Report on Performance

We have completed a performance audit of the 2018 Measure Z General Obligation Bonds Building Fund of Thermalito Union Elementary School District (the "District"), for the year ended June 30, 2020 and have issued our report thereon dated November 20, 2020.

Management's Responsibility

The design, implementation, and maintenance of internal controls relevant to the financial process and compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

Our responsibility is to determine that the District complied with the Measure Z General Obligation Bond in accordance with Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. 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 objects. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of the procedures performed indicate that the District complied with the requirements identified in Appendix A of the K-12 Local Education Agencies and State Compliance Reporting for the Measure Z General Obligation Bond funds for the year ended June 30, 2020.

Objectives

The objectives of our performance audit was to determine that the Thermalito Union Elementary School District expended Measure Z General Obligation Bond funds for the year ended June 30, 2020 only for purposes approved by voters and only for specific projects adopted by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C.

Scope of the Audit

The scope of our performance audit covered the fiscal year ended June 30, 2020. The expenditures included all account and project codes associated with the bond projects. Expenditures before July 1, 2019 and after June 30, 2020 were not reviewed as they were not within the scope of our audit.

Methodology

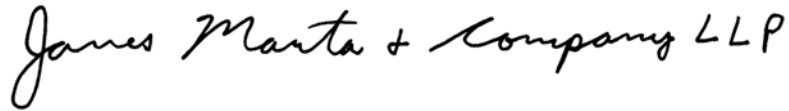
1. We obtained the general ledger for the fiscal year ended June 30, 2020.
2. We selected expenditures to ensure compliance with Proposition 39 and Measure Z General Obligation Bond Funding.
3. We verified the mathematical accuracy of the expenditures included in the Measure Z Building Fund detailed general ledger for the fiscal year ended June 30, 2020.
4. We verified that the funds were generally expended for the modernization, renovation, and construction of school facilities constituting authorized bond projects.
5. Solely to assist us in planning and completing our performance audit, we obtained an understanding of the internal controls of the District.
6. We selected a sample of bond expenditures and performed the following:
 - a. Reviewed the invoices, contracts, warrant copies and other supporting documents to verify the funds were spent in accordance with list of projects defined in the full Measure Z bond text.
 - b. For any expenditures that were subject to the bid process, we reviewed supporting documentation to verify that all applicable bid process requirements were satisfied.
 - c. We verified that any change orders for the selected projects were approved by the Board of Trustees.
7. We verified that funds used to pay the salaries of district employees were allowable per opinion 04-110 issued November 9, 2004 by the State of California Attorney General.

Conclusion

Based on the procedures performed, we found that the Thermalito Union Elementary School District has properly accounted for the expenditures of Measure Z General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our performance audit and the results of that testing. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. This report is intended solely for the information and use of management and Governing Board of Thermalito Union Elementary School District, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 20, 2020