NEW ISSUE—FULL BOOK-ENTRY

Rating: Moody's: "Aa3"; Standard & Poor's: "A+"
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$15,000,000
CHICO UNIFIED SCHOOL DISTRICT
(Butte County, California)
Election of 2012 General Obligation Bonds, Series A

Dated: Date of Delivery **Due: August 1, as shown on inside cover**

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Chico Unified School District (Butte County, California) Election of 2012 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of the registered voters of the Chico Unified School District (the "District") held on November 6, 2012, at which the requisite 55% or more of the persons voting on a proposition submitted thereto voted to authorize the issuance and sale of $78,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of Butte County (the "County") is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds ("Beneficial Owners") will not receive certificates representing their interest in the Bonds.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery of the Bonds (the "Date of Delivery"), and be payable semiannually on February 1 and August 1 of each year (each a "Bond Payment Date"), commencing February 1, 2014. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as described herein.

Maturity Schedule
(See inside front cover)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed on for the Underwriter by Nossaman, LLP, Irvine, California. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of Cede & Co., as nominee of The Depository Trust Company, in New York, New York, on or about May 30, 2013.

DE LA ROSA & CO.
INVESTMENT BANKERS

Dated: May 16, 2013

MATURITY SCHEDULE

$15,000,000
CHICO UNIFIED SCHOOL DISTRICT
(Butte County, California)
Election of 2012 General Obligation Bonds, Series A

Base CUSIP[1]: 168520

$7,000,000 – 5.000% Term Bonds due August 1, 2038 – Yield 3.580%[2]; CUSIP[1]: KN3

$8,000,000 – 5.000% Term Bonds due August 1, 2043 – Yield 3.630%[2]; CUSIP[1]: KP8

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[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the Financial Advisor or the District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

[2] Yield to call at par on August 1, 2023.

CHICO UNIFIED SCHOOL DISTRICT

Board of Education

Elizabeth Griffin, *President*
Dr. Kathleen Kaiser, *Vice President*
Linda Hovey, *Clerk*
Eileen Robinson, *Member*
Dr. Andrea Lerner Thompson, *Member*

District Administration

Kelly Staley, *Superintendent*
Maureen Fitzgerald, *Assistant Superintendent, Business Services*
Peter Van Buskirk, *Director of Fiscal Services*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

Isom Advisors, A Division of Urban Futures
Walnut Creek, California

Paying Agent

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

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$15,000,000
CHICO UNIFIED SCHOOL DISTRICT
(Butte County, California)
Election of 2012 General Obligation Bonds, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Chico Unified School District (Butte County, California) Election of 2012 General Obligation Bonds, Series A (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement, the Governor of California has released his May revision to the proposed State budget for fiscal year 2013-14. Accordingly, information presented under the heading "DISTRICT FINANCIAL INFORMATION – State Budget Measures" has been revised to reflect certain provisions of the Governor's May Revision.

The District

The Chico Unified School District (the "District") was formed in 1965 and is located in California's Sacramento Valley, approximately 90 miles north of the City of Sacramento. The territory of the District encompasses approximately 322 square miles, including all of the City of Chico and unincorporated areas of Butte County (the "County"). The District is a unified school district serving students in grades K-12. The District currently operates 13 elementary schools for grades K-6, one open structure school for grades K-8, three junior high schools for grades 6-8, two comprehensive high schools, one continuation high school, one community day school, one independent study school for grades K-12, two dependent charter schools and one special services school. For fiscal year 2012-13, the District's enrollment is 12,022 students, and taxable property within the District has a total assessed valuation is $9,555,608,792.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Ms. Kelly Staley is currently the Superintendent of the District.

See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "DISTRICT FINANCIAL INFORMATION" and "CHICO UNIFIED SCHOOL DISTRICT" herein for more information regarding the District generally.

Purpose of the Bonds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and to pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Education of the District. See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the captions "INTRODUCTION – Tax Matters" and "TAX MATTERS," as well as in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount, or any integral multiple thereof.

Redemption. The Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 2023, or on any date thereafter, as a whole or in part. The Bonds are also subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of the date of their initial execution and issuance (the "Date of Delivery"). The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery, and be payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2014. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities DTC on or about May 30, 2013.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District's financial condition and taxation of property within the District, see "TAX BASE FOR REPAYMENT OF BONDS," "DISTRICT FINANCIAL INFORMATION" and "CHICO UNIFIED SCHOOL DISTRICT" herein.

Continuing Disclosure

The District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). See "LEGAL MATTERS – Continuing Disclosure" herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and

Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds (collectively, "Bond Counsel"). Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California, is acting as financial advisor to the District with respect to the Bonds (the "Financial Advisor"). Bond Counsel and the Financial Advisor will each receive compensation contingent on the issuance of the Bonds. Certain matters will be passed on for the Underwriter (defined herein) by Nossaman, LLP, Irvine, California. The Bank of New York Mellon Trust Company, N.A., San Francisco, California, is acting as the Paying Agent with respect to the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the Chico Unified School District, 163 East Seventh Street, Chico, California 95928, telephone: (530) 891-3000. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms by the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on April 17, 2013 (the "Resolution"). The District received authorization at an election held on November 6, 2012 by the requisite 55% or more of the votes cast by eligible voters within the District to issue $78,000,000 aggregate principal amount of general obligation bonds (the "2012 Authorization"). The Bonds are the first issuance of bonds under the 2012 Authorization.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund (defined herein), which is segregated and maintained by the County and which is designated for the payment of principal of and interest on the Bonds when due, and for no other purpose. Although the County is obligated to levy *ad valorem* taxes for the payment of the Bonds, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, shall be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive certificates representing their interests in the Bonds.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing February 1, 2014. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2014, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the registered Owner of such Bond thereof as of the close of business on the fifteenth day of the month preceding each Bond Payment Date (the "Record Date"), such interest to be paid by check mailed to such Owner on the Bond Payment Date, at the Owner's address as it appears on such registration books or at such other address as such Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender of the applicable Bond at the principal office of the Paying Agent. The principal of, and interest and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Annual Debt Service

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions are made):

Year Ending August 1	Annual Principal Payment	Annual Interest Payment(1)	Total Annual Debt Service
2014	--	$877,083.33	$877,083.33
2015	--	750,000.00	750,000.00
2016	--	750,000.00	750,000.00
2017	--	750,000.00	750,000.00
2018	--	750,000.00	750,000.00
2019	--	750,000.00	750,000.00
2020	--	750,000.00	750,000.00
2021	--	750,000.00	750,000.00
2022	--	750,000.00	750,000.00
2023	--	750,000.00	750,000.00
2024	--	750,000.00	750,000.00
2025	--	750,000.00	750,000.00
2026	--	750,000.00	750,000.00
2027	--	750,000.00	750,000.00
2028	--	750,000.00	750,000.00
2029	$195,000.00	750,000.00	945,000.00
2030	295,000.00	740,250.00	1,035,250.00
2031	360,000.00	725,500.00	1,085,500.00
2032	415,000.00	707,500.00	1,122,500.00
2033	650,000.00	686,750.00	1,336,750.00
2034	790,000.00	654,250.00	1,444,250.00
2035	895,000.00	614,750.00	1,509,750.00
2036	1,000,000.00	570,000.00	1,570,000.00
2037	1,110,000.00	520,000.00	1,630,000.00
2038	1,290,000.00	464,500.00	1,754,500.00
2039	1,330,000.00	400,000.00	1,730,000.00
2040	1,455,000.00	333,500.00	1,788,500.00
2041	1,590,000.00	260,750.00	1,850,750.00
2042	1,735,000.00	181,250.00	1,916,250.00
2043	1,890,000.00	94,500.00	1,984,500.00
Total	$15,000,000.00	$19,080,583.33	$34,080,583.33

(1) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2014.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and pay the costs of issuing the Bonds.

Building Fund. The net proceeds of the sale of the Bonds shall be deposited in the fund held by the County and known as the "Chico Unified School District, Election of 2012 General Obligation Bonds, Series A Building Fund" (the "Building Fund") and shall be applied only for the purposes for which the Bonds are issued. Any interest earnings on moneys held in the Building Fund shall be retained therein.

Debt Service Fund. The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the fund held by the County and known as the "Chico Unified School District, Election of 2012 General Obligation Bonds, Series A Debt Service Fund" (the "Debt Service Fund."). Any accrued interest or premium received by the County from the sale of the

Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Bond Proceeds. In accordance with the Resolution and subject to federal tax restrictions, moneys in the Debt Service Fund and the Building Fund may be invested in the following: (i) lawful investment permitted by Sections 16429.1 and 53601 ("Section 53601") of the Government Code of the State of California; (ii) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code; (iii) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency then rating the Bonds, (iv) the Local Agency Investments Fund of the California State Treasurer, (v) the Investment Pool (defined herein) of the County, and (vi) State and Local Government Series Securities.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County Investment Pool. See "BUTTE COUNTY INVESTMENT POOL" herein.

Redemption

Optional Redemption. The Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 2023, at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, together with interest accrued thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2038, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2029, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending August 1	Principal To Be Redeemed
2029	$195,000
2030	295,000
2031	360,000
2032	415,000
2033	650,000
2034	790,000
2035	895,000
2036	1,000,000
2037	1,110,000
2038[1]	1,290,000

[1] Maturity.

The Bonds maturing on August 1, 2043, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2039, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending August 1	Principal To Be Redeemed
2039	$1,330,000
2040	1,455,000
2041	1,590,000
2042	1,735,000
2043[(1)]	1,890,000

(1) Maturity.

In the event that portions of the Bonds shown above are optionally redeemed prior to their respective maturity dates, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in a principal amount of $5,000, or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be provided not less than 20 nor more than 60 days prior to the redemption date (i) to the Registered Owners thereof at the addresses appearing on the bond registration books of the Paying Agent, (ii) to the Securities Depository described below, and (iii) to one or more of the Information Services described below. Notice to the Registered Owners shall be given by registered or certified mail, postage prepaid. Notice to the Security Depository will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service. Notice to the Information Services will be given by registered or certified mail, postage prepaid, or overnight delivery service.

Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000 or Fax (212) 855-7320.

A certificate of the Paying Agent or the District that a notice of redemption has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive, nor any defect in any such notice so given, will affect the sufficiency of the proceedings for the redemption of the affected Bonds.

Rescission of Notice of Redemption. With respect to any notice of redemption of Bonds as described above, unless upon the giving of such notice such Bonds shall be deemed to have been deemed paid as described in "—Defeasance," such notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, on such Bonds to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, the Bonds shall not be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of redemption was given, that such moneys were not so received.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If notice of redemption is given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "—Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distribution on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distribution to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least $1,000,000 in aggregate principal amount, interest shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and transfer amount upon presentation and surrender at the designated office of the Paying Agent, initially located in San Francisco, California, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the transfer amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent shall be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th business day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District, an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all including all principal thereof, interest thereon and redemption premium, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations (as defined below) together with cash, if required, and moneys transferred from the Debt Service Fund, if any, in such amount as will, together with the interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all including all principal thereof, interest thereon and redemption premium, if any) at or before their maturity date;

then, notwithstanding that any such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service ("Moody's") or Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business ("Standard & Poor's"). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either by Standard & Poor's or by Moody's.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$15,000,000.00
Original Issue Premium	1,765,340.00
Total Sources	$16,765,340.00
Uses of Funds	
Costs of Issuance[(1)]	$271,000.00
Debt Service Fund	1,765,340.00
Building Fund	14,729,000.00
Total Uses	$16,765,340.00

(1) Reflects all costs of issuance, including but not limited to the Underwriter's discount, demographics and filing fees, printing costs, legal and financial advisory fees, rating agency fees, and the costs and fees of the Paying Agent. See "MISCELLANEOUS – Underwriting" herein.

BUTTE COUNTY INVESTMENT POOL

The following information concerning the Butte County Investment Pool (the "Investment Pool") has been provided by the Treasurer and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at http: http://www.buttecounty.net/ttc. However, the information presented on such website is not incorporated herein by any reference.

The Treasurer accepts funds only from agencies located in the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, state and federal funding and other fees and charges. The Treasurer has authority to implement and oversee the investment of such funds in the Investment Pool in accordance with California Government Code Sections 53601 *et seq.*, 53653 *et seq.* and 16429.1 *et seq.* which govern legal investments by local agencies in the State, and by a more restrictive investment policy (the "Investment Policy") proposed by the Treasurer, monitored by the Treasury Oversight Committee and approved by the Board of Supervisors on an annual basis. There can be no assurance that State law and/or the Investment Policy will not be amended in the future to allow investments that are currently prohibited, or that the stated objectives of the County with respect to investments will not change. The duty of the Treasurer is to safeguard all public funds invested in the Investment Pool and managed by the Treasurer. The Investment Pool must maintain sufficient available cash to meet the disbursement needs of all participating agency depositors. Prudence must be used in obtaining a competitive yield while maintaining the safety of principal.

The Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each type of security. The composition of the portfolio will change over time as securities mature or are sold, and new securities are purchased. The Fair Value of certain types of securities fluctuate, but the County does not anticipate that it will realize any losses with respect to any such investments since the County intends to hold such investments until their maturity. The Fair Value of each security is disclosed quarterly to pool participants in the Investment Report.

The following table summarizes the composition of the Investment Pool.

BUTTE COUNTY INVESTMENT POOL
Portfolio Composition
(March 31, 2013)

Type of Investment	Yield to Maturity	Weighted Average Maturity	Par Value	Fair Value	Cost Carried Value
Local Agency Investment Fund	0.285%	1	$67,307,633.67	$67,307,633.67	$67,307,633.67
CalTRUST	0.305	1	4,477.27	4,477.27	4,479.84
CalTRUST	0.675	30	5,003,628.67	5,003,628.67	5,007,131.89
Bank Money Market (Collateralized)	0.290	1	27,737,079.55	27,737,079.55	27,737,079.55
Commercial Paper	--	--	0.00	0.00	0.00
Municipal Bonds	0.410	548	1,000,000.00	1,004,230.00	1,004,650.00
Corporate Notes	0.812	551	14,750,000.00	15,029,145.50	15,132,611.56
Negotiable CDs	1.344	737	3,250,000.00	3,253,949.66	3,250,000.00
Certificates of Deposit	0.810	718	10,500,000.00	10,500,000.00	10,500,000.00
Federal Agency Notes	1.564	1,168	213,595,000.00	216,679,764.90	214,905,190.76
SUBTOTAL	1.128%	783	$343,147,819.16	$346,519,909.22	$344,848,777.27
Investments with Trustees			$3,315,688.93	$3,317,603.03	$3,329,650.97
Proceeds of Notes/Bonds and Operating Cash			31,184,231.06	31,184,231.06	31,184,231.06
TOTAL INVESTMENTS AND CASH			$377,647,739.15	$381,021,743.31	$379,362,659.30

Source: Treasurer-Tax Collector of Butte County.

TAX BASE FOR REPAYMENT OF BONDS

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same rolls as the special district property taxes. Assessed valuations are the same for both District and the County taxing purposes.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments due November 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year based on the preceding fiscal year's secured tax rate and become delinquent on October 31.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Property within the District had a total assessed valuation for fiscal year 2012-13 of $9,555,608,792. The following table represents a ten-year history of assessed valuations in the District:

ASSESSED VALUATIONS
Chico Unified School District
Fiscal Years 2003-04 through 2012-13

	Assessed Valuation[1]	% Change
2003-04	$6,335,919,543	--
2004-05	6,950,755,764	9.70%
2005-06	7,748,917,789	11.48
2006-07	8,622,206,734	11.27
2007-08	9,444,387,361	9.54
2008-09	9,988,236,586	5.76
2009-10	10,020,456,824	0.32
2010-11	9,802,023,243	(2.18)
2011-12	9,695,935,238	(1.08)
2012-13	9,555,608,792	(1.45)

[1] Includes secured, utility and unsecured rolls.
Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Assessed Valuation and Parcels by Land Use. The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2012-13 assessed valuation of such parcels:

ASSESSED VALUATION AND PARCELS BY LAND USE
Chico Unified School District
Fiscal Year 2012-13

	2012-13 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% Total
Non-Residential:						
Agricultural	$381,049,208	4.22%	1,215	3.32%	1,097	3.06%
Commercial	1,435,182,485	15.88	2,098	5.72	2,015	5.62
Vacant Commercial	103,321,289	1.14	315	0.86	240	0.67
Industrial	276,529,630	3.06	463	1.26	458	1.28
Vacant Industrial	45,863,267	0.51	140	0.38	124	0.35
Government/Social/Institutional	10,655,435	0.12	211	0.58	18	0.05
Subtotal Non-Residential	$2,252,601,314	24.92%	4,442	12.12%	3,952	11.03%
Residential:						
Single Family Residence	$5,134,210,430	56.79%	23,495	64.10%	23,474	65.50%
Condominium/Townhouse	142,463,644	1.58	1,215	3.32	1,213	3.38
Mobile Home	95,698,548	1.06	3,310	9.03	3,247	9.06
2-4 Residential Units	222,894,299	2.47	1,115	3.04	1,105	3.08
5+ Residential Units/Apartments	927,343,080	10.26	1,605	4.38	1,595	4.45
Miscellaneous Residential	8,478,483	0.09	97	0.26	56	0.16
Vacant Residential	256,581,785	2.84	1,372	3.74	1,198	3.34
Subtotal Residential	$6,787,670,269	75.08%	32,209	87.88%	31,888	88.97%
Total	$9,040,271,583	100.00%	36,651	100.00%	35,840	100.00%

(1) Reflects the local secured assessed valuation only, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation Per Parcel of Single Family Homes. The following table shows a per-parcel analysis of single family residences within the District, in terms of their fiscal year 2012-13 assessed valuation:

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES
Chico Unified School District
Fiscal Year 2012-13

	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	23,474	$5,134,210,430	$218,719	$197,472

2012-13 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	97	0.413%	0.413%	$1,747,736	0.034%	0.034%
25,000 - 49,999	681	2.901	3.314	27,863,920	0.543	0.577
50,000 - 74,999	1,190	5.069	8.384	73,507,224	1.432	2.008
75,000 - 99,999	1,191	5.074	13.457	104,761,892	2.040	4.049
100,000 - 124,999	1,542	6.569	20.026	174,938,478	3.407	7.456
125,000 - 149,999	2,040	8.690	28.717	281,371,895	5.480	12.937
150,000 - 174,999	2,367	10.083	38.800	384,740,179	7.494	20.430
175,000 - 199,999	2,825	12.035	50.835	527,821,472	10.280	30.711
200,000 - 224,999	2,412	10.275	61.110	509,238,969	9.919	40.629
225,000 - 249,999	2,038	8.682	69.792	480,231,123	9.354	49.983
250,000 - 274,999	1,488	6.339	76.131	388,341,044	7.564	57.547
275,000 - 299,999	1,157	4.929	81.060	330,419,076	6.436	63.982
300,000 - 324,999	882	3.757	84.817	274,401,843	5.345	69.327
325,000 - 349,999	739	3.148	87.965	248,317,758	4.837	74.163
350,000 - 374,999	621	2.645	90.611	224,293,138	4.369	78.532
375,000 - 399,999	435	1.853	92.464	167,766,779	3.268	81.800
400,000 - 424,999	352	1.500	93.964	144,691,679	2.818	84.618
425,000 - 449,999	265	1.129	95.092	115,521,432	2.250	86.868
450,000 - 474,999	219	0.933	96.025	101,069,307	1.969	88.836
475,000 - 499,999	167	0.711	96.737	81,100,554	1.580	90.416
500,000 and greater	766	3.263	100.000	492,064,932	9.584	100.000
Total	23,474	100.000%		$5,134,210,430	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: *California Municipal Statistics, Inc.*

Appeals and Adjustments of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

The following table shows secured *ad valorem* tax levies within the District, and amounts delinquent as of June 30, for fiscal years 2007-08 through 2011-12:

SECURED TAX CHARGES AND DELINQUENCIES
Chico Unified School District
Fiscal Years 2007-08 through 2011-12

	Secured Tax Charge[1]	Amount Due June 30	% Delinquent June 30
2007-08	$2,648,656.96	$63,103.41	2.38%
2008-09	3,544,806.89	104,648.30	2.95
2009-10	5,053,931.80	149,559.92	2.96
2010-11	3,446,983.93	70,716.60	2.05
2011-12	3,672,852.29	61,828.49	1.68

(1) 1% general fund levy.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County administering any penalties and interest ultimately collected as prescribed in the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to all secured tax levies for which the County act as the tax-levying or tax-collecting agency, or for which the County treasuries are the legal depository of the tax collections. As adopted by the County, the Teeter Plan includes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay principal of and interest on of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2012-13. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County order its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

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Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in two typical tax rate areas (each, a "TRA") within the District from fiscal year 2008-09 through 2012-13.

SUMMARY OF *AD VALOREM* TAX RATES
Chico Unified School District
Fiscal Years 2008-09 through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
TRA 2-001 – Within City of Chico – 2012-13 Assessed Valuation: $802,119,935					
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Chico Unified School District	.038090	.054439	.038263	.041481	.021132
Butte-Glenn Community College District	.020880	.020880	.020880	.020880	.020880
Total	1.058970%	1.075319%	1.059143%	1.062361%	1.042012%
TRA 62-018 – Within Unincorporated Butte County – 2012-13 Assessed Valuation: $236,153,816					
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Chico Unified School District	.038090	.054439	.038263	.041481	.021132
Butte-Glenn Community College District	.020880	.020880	.020880	.020880	.020880
Total	1.058970%	1.075319%	1.059143%	1.062361%	1.042012%

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District based on their 2012-13 secured assessed valuations:

LARGEST LOCAL SECURED TAXPAYERS
Chico Unified School District
Fiscal Year 2012-13

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total[(1)]
1.	Farmland Reserve Inc.	Agricultural	$66,377,903	0.73%
2.	Merle A. Webb & Sons	Apartments	53,045,913	0.59
3.	Chico Mall Investors LLC	Shopping Center	45,511,700	0.50
4.	Pacific Realty Associates LP	Agricultural	40,726,151	0.45
5.	California Water Service	Water Company	40,390,370	0.45
6.	Chico Crossroads LP	Shopping Center	32,375,000	0.36
7.	North Valley Mall LLC	Shopping Center	26,590,473	0.29
8.	Littlefood Property Co. LLC	Industrial	25,505,363	0.28
9.	Carwood Skypark LLC	Shopping Center	24,016,662	0.27
10.	Safeway Inc.	Shopping Center	22,497,490	0.25
11.	Costco Wholesale Corporation	Shopping Center	18,784,890	0.21
12.	Sterling Oaks Development Partnership LP	Agricultural	18,335,000	0.20
13.	Smucker Quality Beverages Inc.	Industrial	17,500,576	0.19
14.	Chico Lodging LLC	Hotel	17,016,096	0.19
15.	Ed and Mary Wittmeier	Shopping Center	16,794,299	0.19
16.	Bank of the West	Shopping Center	16,083,000	0.18
17.	Gregory L. and Joan R. Webb	Apartments	15,798,089	0.17
18.	Lowes HIW Inc.	Shopping Center	15,766,340	0.17
19.	Eaton Properties Inc.	Agricultural	15,519,713	0.17
20.	Wal-Mart Real Estate Business Trust	Shopping Center	14,873,323	0.16
			$543,508,351	6.01%

(1) 2012-13 local secured assessed valuation: $9,040,271,583.
Source: California Municipal Statistics, Inc.

Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective as of March 26, 2013 for debt outstanding as of May 1, 2013. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

DIRECT AND OVERLAPPING DEBT STATEMENT
Chico Unified School District

2012-13 Assessed Valuation: $9,555,608,792

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 5/1/13[(1)]**
Butte-Glenn Community College District	47.578%	$35,463,727
Chico Unified School District	**100.000**	**48,885,000**[(2)]
City of Chico 1915 Act Bonds	100.000	100,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$84,448,727
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Butte County Certificates of Participation	54.044%	$5,864,314
Butte County Pension Obligations	54.044	26,965,254
Butte-Glenn Community College District General Fund Obligations	47.578	1,179,934
Chico Unified School District Certificates of Participation	**100.000**	**1,205,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$35,214,502
OVERLAPPING TAX INCREMENT DEBT:		$100,395,000
COMBINED TOTAL DEBT		$220,058,229[(3)]

Ratios to 2012-13 Assessed Valuation:
Direct Debt ($48,885,000)..0.51%
Total Overlapping Tax and Assessment Debt 0.88%
Combined Direct Debt ($50,090,000) 0.52%
Combined Total Debt 2.30%

Ratios to Redevelopment Incremental Valuation ($2,949,081,818):
Total Overlapping Tax Increment Debt……………………..3.40%

(1) Excludes any bonds sold between preparation date of report (3/26/13) and dated date (5/1/13).
(2) Excludes the Bonds described herein.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS – Security and Sources of Payment" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines:

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" herein.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Propositions 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act however, were modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

On June 5, 1990, the voters of California approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district). These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Jarvis vs. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018. Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. Legislation enacted with respect to fiscal year 2012-13 provides for additional inter-fiscal year deferrals.

On May 23, 2012, the Governor signed into law Assembly Bill 103 ("AB 103"), which extends certain provisions of existing law designed to manage the State's cash resources. AB 103 authorizes the deferral of State apportionments during fiscal year 2012-13, as follows: (i) $700 million from July 2012 to September 2012, (ii) $500 million from July 2012 to January 2013, (iii) $600 million from August 2012 to January 2013, (iv) $800 million from October 2012 to January 2013, and (v) $900 million from March 2013 to April 2013. Collectively, these deferrals are referred to as the "Cash Management Deferrals."

As in prior fiscal years, AB 103 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, did not apply for nor receive an exemption from any of the Cash Management Deferrals. In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance was required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, State Treasurer and Director of Finance determined that sufficient cash would be available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments were required to be paid as soon as feasible. AB 103 authorized the Cash Management Deferrals to be accelerated or delayed by up by one month, except that the March 2013 deferral was required to be paid no later than April 29, 2013.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 39, 22, 26 and 30 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable solely from the proceeds of an ad valorem tax which is required to be levied by the County in an amount sufficient for the payment thereof.

State Funding of Education

Most California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues significantly affect appropriations made by the Legislature to school districts.

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of ADA. Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is be counted in ADA.

This change was essentially fiscally neutral for school districts which maintained the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. Currently, school districts which can improve their actual attendance rate will receive additional funding.

Generally, these apportionments of basic and equalization aid amount to the difference between a district's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

The following table reflects the District's ADA and the ADA base revenue limit per student for the last seven years.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Chico Unified School District
Fiscal Years 2006-07 to 2012-13

Fiscal Year	Average Daily Attendance[(1)]	Base Revenue Limit Per ADA	Deficit Revenue Limit Per ADA[(2)]
2006-07	12,381	$5,548	$5,548
2007-08	12,251	5,800	5,800
2008-09	12,143	6,129	5,648
2009-10	11,630	6,391	5,218
2010-11	11,376	6,419	5,266
2011-12	11,368	6,509	5,168
2012-13[(3)]	11,559	6,721	5,224

(1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Excludes ADA for students attending all charter schools operating within the District. See "CHICO UNIFIED SCHOOL DISTRICT – Charter Schools" herein.
(2) Deficit revenue limit funding, if provided for in State budget legislation, reduces the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a given fiscal year, and results from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit limit funding was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again effective in fiscal year 2006-07, and reinstated again beginning in fiscal year 2008-09. Amounts shown are rounded to the nearest whole number.
(3) Funding level reflects voter approval of Proposition 30.
Source: Chico Unified School District.

Revenue Sources

Major revenue sources of the District are described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of $120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid district.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

For the 2010-11 fiscal year, the District received $62,324,901 from revenue limit sources, accounting for approximately 61.2% of its general fund revenues. For the 2011-12 fiscal year, the District received $60,554,610 from revenue limit sources income, accounting for 61.7% of its general fund revenues. For fiscal year 2012-13, the District has projected $61,843,826 of revenue limit sources income, accounting for approximately 64.1% of projected general fund revenues.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs. The federal revenues, most of which are restricted, equaled approximately 15.5% of general fund revenues in 2010-11 and approximately 14.1% of general fund revenues in 2011-12. The District has projected federal revenues to equal approximately 11.4% of projected general fund revenues for fiscal year 2012-13.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues ("State Sources"). State Sources equaled approximately 17.5% of general fund revenues in 2010-11 and approximately 17.7% of general fund revenues in 2011-12. The District has projected State Sources to equal approximately 18.2% of projected general fund revenues for fiscal year 2012-13.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues. These other local revenues equaled approximately 5.8% of general fund revenues in 2010-11, and approximately 6.5% of general fund revenues in 2011-12. The District has projected other local revenues to equal approximately 6.3% of projected general fund revenues for fiscal year 2012-13.

Developer Fees. The District currently collects developer fees on residential development to finance essential school facilities within the District. The following table reflects the collection of developer fee revenue from fiscal year 2006-07 to 2011-12.

DEVELOPER FEES
FISCAL YEARS 2006-07 THROUGH 2011-12
Chico Unified School District

Year	Fees
2006-07	$2,250,931
2007-08	1,372,684
2008-09	1,092,169
2009-10	1,486,598
2010-11	962,781
2011-12	987,391

Source: Chico Unified School District.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed $250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values . . . and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its revenue limit apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2012, and prior fiscal years are on file with the District and available for public inspection at the Office of Business Services of the District, Chico Unified School District, 1163 East Seventh Street, Chico, CA 95928, telephone: (530) 891-3000. Excerpts from the District's audited financial statements for the year ended June 30, 2012 are attached hereto as Appendix B. For fiscal years ended June 30, 2003 and later, the District implemented Government Accounting Standard Board ("GASB") Statements Nos. 34 and 35. Among the changes implemented under these revised accounting rules is a change in the financial reporting format. While historical total revenue and expenditures figures are comparably consistent to prior years, the breakdown of revenues and expenditures follows functional categories rather than object-oriented categories. The following table reflects the District's revenues, expenditures and fund balances for fiscal years 2008-09 through 2011-12 in the revised reporting format:

AUDITED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Chico Unified School District
Fiscal Years 2008-09 through 2011-12
(Revised Reporting Format)

	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
REVENUES			
Revenue Limit Sources	$70,000,980	$60,784,856	$62,324,901
Federal	12,402,002	10,587,627	15,808,168
Other State	19,697,716	17,539,973	17,833,217
Other Local	6,919,679	5,746,626	5,928,477
TOTAL REVENUES	109,020,377	94,659,082	101,894,763
EXPENDITURES			
Instruction	73,605,083	68,845,761	69,174,171
Supervision of Instruction	859,955	692,398	513,322
Instructional Library, Media and Technology	1,156,878	1,169,955	1,047,337
School Site Administration	6,845,079	7,053,081	6,945,392
Home-to-School Transportation	1,853,430	1,826,952	1,983,690
Food Services	138,987	141,021	112,871
All Other Pupil Services	5,579,615	5,207,105	5,455,729
Data Processing Services	618,293	846,526	964,995
All Other General Administration	3,701,362	3,717,936	4,031,233
Plant Services	8,061,482	7,576,061	7,539,829
Facility Acquisition and Construction	18,921	--	571,939
Ancillary Services	521,981	459,359	535,486
Community Services	24,426	21,698	20,846
Enterprise Activities	--	--	12,493
Transfers between Agencies	426,192	279,811	415,451
Debt Service - principal	880,551	599,440	902,147
Debt Service – interest and other charges	121,825	164,594	164,594
TOTAL EXPENDITURES	104,396,870	98,610,989	100,391,525
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,623,507	(3,951,907)	1,503,238
OTHER FINANCING SOURCES (USES) - NET	3,072,869	1,809,126	2,027,463
NET CHANGE IN FUND BALANCE	7,696,376	(2,142,781)	3,530,701
FUND BALANCES, JULY 1,	12,805,358	20,501,734	19,579,610[2]
FUND BALANCES, JUNE 30,	$20,501,734	$18,358,953	$23,110,311

	Fiscal Year 2011-12[1]
REVENUES	
Property taxes	$23,339,629
State revenue	54,588,938
Federal revenue	13,794,299
Interest and other investment earnings	7,076
Other local revenue	6,201,359
TOTAL REVENUES	$97,931,301
EXPENDITURES	
Current:	
Instruction	70,032,142
Instruction related services	8,299,039
Pupil Services	8,146,469
Ancillary Services	575,527
Community services	13,660
General administration	5,812,523
Plant services	7,773,048
Transfers between agencies	475,270
Debt Service:	
Principal	886,013
Interest and other charges	151,091
Issuance costs and discounts	950
Capital outlay	110,670
TOTAL EXPENDITURES	102,276,402
EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(4,345,101)
OTHER FINANCING SOURCES (USES) - NET	1,950,885
NET CHANGE IN FUND BALANCE	(2,394,216)
FUND BALANCES, JULY 1,	23,110,311
FUND BALANCES, JUNE 30,	$20,716,095

(1) Due to changes in accounting requirements and a change in the auditing firm retained by the District, the format of the fiscal year 2011-12 audited figures vary from prior years.
(2) Reflects a positive restatement of the District's general fund ending balance from the prior year in order to conform to changes in GASB Statement No. 54's definition of governmental funds. For financial reporting purposes only, the District's Special Reserve Fund for Other Than Capital Outlay was reported as part of the District's general fund.
Source: Chico Unified School District.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by A.B. 1200, which became law on October 14, 1991. Portions of A.B. 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 15 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 15, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8 will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code § 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two sequent fiscal years. For fiscal year 2012-13, the District has elected to report a "qualified" certification in its first interim financial report, and a "positive" certification in its second interim financial report.

District Budgeting Trends. The following table summarizes the District's adopted general fund budgets for fiscal years 2009-10 through 2012-13, audited ending results for fiscal years 2009-10 and 2010-11, unaudited results for fiscal year 2011-12, and projected totals for fiscal year 2012-13.

GENERAL FUND BUDGETING
Chico Unified School District
Fiscal Years 2009-10 through 2012-13

	Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13	
REVENUES:	Budgeted	Audited	Budgeted	Audited	Budgeted	Unaudited[1]	Budgeted	Projected[2]
Revenue Limit Sources:	$64,339,084	$60,784,856	$58,616,736	$62,324,901	$62,628,988	$60,554,610	$60,561,074	$61,843,826
Federal sources	6,679,637	10,587,627	8,913,667	15,808,168	7,781,304	13,794,299	9,346,288	11,006,725
Other State sources	16,805,990	17,539,973	16,829,274	17,833,217	16,056,228	17,417,991	16,641,549	17,527,667
Other local sources	4,699,401	5,746,626	4,561,063	5,928,477	4,844,673	6,380,135	5,293,717	6,118,575
TOTAL REVENUES	92,524,112	$94,659,082	88,920,740	101,894,763	91,311,193	98,147,035	91,843,627	96,496,794
EXPENDITURES:								
Certificated salaries	47,816,180	47,890,461	47,422,764	47,646,893	45,319,165	47,697,860	46,393,589	48,245,578
Classified salaries	15,976,055	15,448,173	16,513,124	15,766,646	15,534,905	16,582,493	16,227,280	16,229,291
Employee benefits	24,338,347	23,568,559	24,347,862	23,530,147	25,259,442	24,192,252	25,624,252	24,279,326
Books and supplies	3,672,289	3,606,865	3,515,719	3,947,162	3,364,883	4,327,405	4,224,283	6,798,086
Contract services and operating expenditures	5,794,588	6,715,729	6,672,829	7,330,621	5,536,398	7,517,511	6,760,638	6,774,468
Capital outlay	5,116	487,491	779,543	799,890	3,082	396,735	--	31,008
Other Outgo	446,526	279,811	356,108	415,451	1,451,404	1,512,374	622,791	641,080
Transfers of Indirect Costs	(157,525)	(157,525)	(110,126)	(110,126)	(48,429)	(237,221)	(257,269)	(257,269)
Debt service – principal	624,265	675,740	890,642	978,426	--	--	--	--
Debt service – interest	183,224	95,685	165,123	86,415	--	--	--	--
TOTAL EXPENDITURES	98,699,065	98,610,989	100,553,588	100,391,525	96,420,850	101,989,408	99,595,564	103,022,568
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,174,953)	(3,951,907)	(11,632,848)	1,503,238	(5,109,657)	(3,842,373)	(7,752,937)	(6,525,774)
OTHER FINANCING SOURCES (USES) – NET	1,437,755	1,809,126	2,002,704	2,027,463	1,741,860	2,123,837	2,085,111	2,085,111
NET CHANGE IN FUND BALANCE	(4,737,198)	(2,142,781)	(9,630,144)	3,530,701	(3,367,797)	(1,718,537)	(5,667,826)	(4,440,663)
FUND BALANCE, JULY 1	20,501,734	20,501,734	19,579,610[3]	19,579,610[3]	22,740,652[4]	22,740,652[4]	20,849,168	20,849,168
Audit Restatement	--	--	--	--	--	(172,6948)	--	--
FUND BALANCE, JUNE 30	$15,764,536	$18,358,953	$9,949,466	$23,110,311	$19,372,855	$20,849,168	$15,181,342	$16,408,505

(1) For fiscal year 2011-12 audited results in revised reporting format, see "—Comparative Financial Statements" herein.
(2) As reported in the District's Second Interim Financial Report for fiscal year 2012-13 adopted by the Board on March 12, 2013.
(3) Reflects a positive restatement of the District's general fund ending balance from the prior year in order to conform to changes in Governmental Accounting Standards Board's ("GASB") Statement No. 54's definition of governmental funds. See "—Comparative Financial Statements" herein.
(4) Beginning fund balances do not reflect the audit adjustment discussed above.

Source: Chico Unified School District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable solely from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

2012-13 Budget. On June 27, 2012, the Governor signed into law the State budget for fiscal year 2012-13. Prior to the conclusion of the State's regular legislative session, the Legislature adopted a series of trailer bills which made various amendments to the budget bill approved by the Governor. Collectively, the budget bill and related trailer bills are referred to as the "2012-13 Budget." The LAO has released a report entitled "California Spending Plan," which summarizes provisions of the 2012-13 Budget (the "LAO Budget Summary"). The following information is drawn from the LAO Budget Summary.

The 2012-13 Budget sought to close a budget gap of $15.7 billion through a combination of measures totaling $16.4 billion. Specifically, the 2012-13 Budget authorized $4.7 billion of expenditure reductions, $8.8 billion of net revenue increases, and $5.8 billion of other measures. The 2012-13 Budget assumed voter approval of a modified tax initiative proposed by the Governor in his May revision to the proposed State budget. The tax initiative, labeled as "Proposition 30," was approved by the voters at the November 6, 2012 general election. The 2012-13 Budget estimated that Proposition 30 would generate approximately $8.5 billion in additional revenues for fiscal years 2011-12 and 2012-13. Pursuant to the provisions of Proposition 30, these additional revenues will be placed into an Education Protection Account and included in the calculation of the Proposition 98 minimum funding guarantee. As a result, the minimum funding guarantee was projected to increase by $2.9 billion, resulting in a net benefit to the State general fund of $5.6 billion. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30."

With the implementation of all measures, the 2012-13 Budget assumed, for fiscal year 2011-12, total revenues of $86.8 billion and expenditures of $87.0 billion. The State was projected to end fiscal year 2011-12 with a total budget deficit of $3.6 billion. For the current fiscal year, the 2012-13 Budget projected total revenues of $95.9 billion and authorized total expenditures of $91.3 billion. This represented an increase of $9 billion, or approximately 10%, from the prior year. The State was projected to end the 2012-13 fiscal year with a total budget surplus of $948 million.

For fiscal year 2011-12, the Proposition 98 minimum funding guarantee was revised at $46.9 billion, including $33.1 billion from the State general fund. This amount was approximately $1.7 billion less than the level set by the State budget for fiscal year 2011-12. This reduction primarily reflected lower than estimated State general fund revenues and updated estimates of local property tax collections, offset by Proposition 30 revenues attributable to fiscal year 2011-12. To bring ongoing Proposition 98 funding in line with the reduced funding guarantee, the 2012-13 Budget redirected $893 million of fiscal year 2011-12 appropriations towards other uses. Specifically, (i) $672 million was to be counted towards meeting legal settlement obligations under the Quality Education Investment Act of 2006, and (ii) $221 million replaced ongoing Proposition 98 funds with one-time funds unspent from prior years. The LAO noted that this accounting adjustment dis not affect the amount of funding schools and community colleges receive.

For fiscal year 2012-13, the Proposition 98 minimum funding guarantee was set at $53.5 billion, including $36.8 billion from the State general fund. This funding level reflected an increase of $6.6 billion (or approximately 14%) from the prior year. The funding increase was supported by a $3.7 billion growth in baseline revenues and $2.9 billion of Proposition 30 revenues.

Proposition 98 funding for K-12 education for fiscal year 2012-13 was set at $47.2 billion, reflecting an increase of $6 billion (or 14%) above the revised 2011-12 level. Programmatic spending remained relatively flat, as most of the additional funding was designated for existing Proposition 98 obligations. The 2012-13 Budget provided that $3.3 billion was to be used to backfill one-time spending decisions made in fiscal year 2011-12, and $2.2 billion was to be designated to pay down existing apportionment deferrals. The LAO also noted that other spending increases were to have no net programmatic effect. The 2012-13 Budget provided $110 million to more closely align K-12 and community college educational mandate funding, $99 million to complete the shift in responsibility for mental health services from county health agencies to schools, and $60 million for anticipated student growth in a few categorical programs.

Significant features relating to K-12 education funding included the following:

- *Deferral Reduction.* The 2012-13 Budget provided $2.2 billion in Proposition 98 funding to reduce school district and community college apportionment deferrals.

- *Charter Schools*. The 2012-13 Budget included several changes to existing law that provide charter schools with additional access to facility space and short-term cash. The plan included provisions that give charter schools priority to lease or purchase surplus school district property, and authorized county offices of education and county treasurers to provide short-term loans to charter schools. Charter schools were further authorized to issue their own tax and revenue anticipation notes or have their respective county office of education issue such notes on their behalf.

- *Educational Mandates*. The 2012-13 Budget provided $167 million to fund a discretionary block grant for K-12 educational mandates. Participating school districts and county offices of education would receive a $28 per-unit of ADA allocation, while participating charter schools would receive a $14 per-unit of ADA allocation. In addition, county offices of education were to receive a $1 per-unit of ADA allocation for all ADA served within their respective counties. Local educational agencies that chose not to participate in this block grant program could continue to seek reimbursement for mandated activities through the existing claims process, subject to audits by the State Controller. The 2012-13 Budget continued to suspend the same educational mandates that were suspended by the 2011-12 State budget legislation, and did not eliminate any further mandates.

- *Child Care and Preschool Programs*. The 2012-13 Budget provided $2.2 billion in funding for subsidized child care and preschools programs. This represented a decrease of $185 million, or 8%, from the prior year. The 2012-13 Budget also consolidated the State's subsidized preschool program by funding all part-day/part-year preschool slots within Proposition 98. The LAO noted that this consolidation was an accounting change, with no programmatic effect.

- *Gubernatorial Vetoes*. As part of approving the enacting legislation, the Governor vetoed (i) all funding for the Early Mental Health Initiative, for an expected savings of $15 million, (ii) $10 million in Proposition 98 funding for child nutrition in private schools and child care centers, and (iii) $8.1 million in one-time Proposition 98 funding for the support of regional activities and statewide administration of the Advancement Via Individual Determination program.

The 2012-13 Budget assumed that schools and community colleges would receive $3.2 billion in revenues in fiscal year 2012-13 resulting from the dissolution of redevelopment agencies, including $2.5 billion for school districts and $165 million for county offices of education. This figure was composed of (i) $1.7 billion of anticipated residual property tax revenues and (ii) $1.5 billion in cash and other liquid assets of former redevelopment agencies. These increased revenues would offset Proposition 98 spending by an identical amount. The budget package also established a series of sanctions and incentives to encourage successor agency participation with redevelopment dissolution laws. The LAO noted that while the State currently backfills school districts if local property taxes fall short of budgetary assumptions, there has previously been no similar requirement for community colleges and K-12 special education. The 2012-13 Budget provided authority for the State to do so if the sums anticipated from the dissolution of redevelopment agencies do not meet such assumptions.

Additional information regarding the 2012-13 Budget may be obtained from the LAO at www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Fiscal Outlook Report. In November 2012, the LAO released a summary of its revised projections for State general fund tax revenues and related spending (the "Fiscal Outlook Report"). The following information is drawn from the Fiscal Outlook Report.

The Fiscal Outlook Report provided the LAO's projections of the State's general fund revenues and expenditures for fiscal years 2012-13 through 2017-18 under current law, absent any actions to close the projected State budgetary deficit, as further discussed below. The LAO's projections primarily reflected current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures. The LAO noted that its revenue estimates take into account a number of voter initiatives approved at the November 2012 general election, including Proposition 30.

Absent corrective action, the LAO projected that the State will end the 2012-13 fiscal year with a $943 million deficit. This would have eliminated the $948 million surplus projected by the 2012-13 Budget, and reflected an overall $1.9 billion budgetary gap. This gap was a product of (i) $625 million of lower revenue estimates for fiscal years 2011-12 and 2012-13, (ii) $2.7 billion in higher expenditures and (iii) an offsetting positive adjustment of $1.4 billion to the fiscal year 2010-11 ending fund balance.

The LAO noted that its revised revenue estimates were driven primarily by lower than anticipated personal income tax and corporate tax collections (totaling $153 million and $558 million, respectively) for both fiscal years 2011-12 and 2012-13. Notwithstanding the overall reduction in projected revenues, the LAO noted that the passage of Proposition 39 at the November 2012 general election—which changed the way multistate corporations calculate taxable income—contributed to an increase in the Proposition 98 minimum funding guarantee. The LAO's revised minimum funding guarantee was estimated to be $53.8 billion.

The LAO's projected increase resulted in part from lower expected savings to the State general fund from the distribution of redevelopment agency assets. The LAO projected a $1.4 billion savings from such assets, a figure approximately $1.8 billion lower than the savings projected by the 2012-13 Budget. The LAO attributed this to several factors: (i) lower than expected distributions of liquid assets and residual property taxes to school and community colleges, (ii) recent information suggesting that redevelopment agencies had higher than anticipated debt, and (iii) distributions of property taxes to basic aid districts that do not offset State education costs. The LAO noted, however, that estimates relating to redevelopment agencies are subject to considerable uncertainty, and are likely to change prior to the deadline for adopting the State budget for fiscal year 2013-14.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Proposed 2013-14 Budget. On January 10, 2013, the Governor released his proposed State budget for fiscal year 2013-14 (the "Proposed Budget"). The following information is drawn from the LAO's summary of the Proposed Budget.

The Proposed Budget reflected a projected improvement to State finances due to a continuing modest economic recovery, prior budgetary actions, and voter approval of certain revenue-raising measures at the November 6, 2012 general election. For fiscal year 2012-13, the Proposed Budget projected year-end revenues of $95.4 billion and expenditures of $93 billion. The State was expected to end the current fiscal year with a surplus of $167 million. For fiscal year 2013-14, the Proposed Budget projected revenues of $98.5 billion and expenditures of $97.7 billion. The State was projected to end fiscal year 2013-14 with a $1 billion surplus. The Governor's multi-year forecast projected that revenues would continue to exceed expenditures annually, accumulating to a projected $2.5 billion general fund surplus by fiscal year 2016-17.

For fiscal year 2012-13, the Proposed Budget revised the Proposition 98 minimum funding guarantee at $53.5 billion, approximately $54 million less than the level set by the current State budget. To bring Proposition 98 spending in line with the reduced guarantee, the Proposed Budget reclassified a fiscal year 2012-13 appropriation towards prefunding legal settlement obligations under the Quality Education Investment Act of 2006 (the "QEIA"). For fiscal year 2013-14, the minimum funding guarantee was set at $56.2 billion, including $40.9 billion from the State general fund. This represented a net increase of $2.7 billion (or 5%) over the revised funding level for fiscal year 2012-13. The increase in spending was driven largely by year-to-year increases in baseline State revenues and the minimum funding guarantee's share of Proposition 30 revenues.

Proposition 98 funding for K-12 education in fiscal year 2013-14 was set at $49.2 billion, including $36.1 billion from the State general fund. This represented an increase of approximately $2.1 billion (or 4%) from the prior year. Significant features include the following:

- *Deferral Reduction.* The Proposed Budget provides $1.9 billion to pay down school district and community college apportionment deferrals. The Proposed Budget includes a plan to eliminate all remaining apportionment deferrals by fiscal year 2016-17.

- *Growth Funding.* The Proposed Budget provides $63 million to fund a 1.65% cost-of-living adjustment to certain categorical programs, including special education, child nutrition, and California American Indian Education Centers. Cost-of-living adjustments for school district and county office of education revenue limits will be provided through the proposed funding increase designed to implement a new K-12 funding formula (described below). The Proposed Budget also funds a 0.10% increase in K-12 ADA, but assumes no increase in funded enrollment levels at community colleges.

- *Local Control Funding Formula.* The Proposed Budget would significantly restructure State funding for K-12 education by consolidating revenue limits and almost all categorical programs into a single funding formula. This formula would provide a base funding grant per pupil, equal to the fiscal year 2007-08 statewide average, undeficited revenue limit funding amount. The Proposed Budget would provide adjustments to this base funding grant to support lower class sizes in grades K-3, as well as an adjustment to reflect the cost of providing career technical education in high schools. The Proposed Budget would also provide a supplemental funding grant for local education agencies that serve English learners, students from low income families and foster children, as well as an additional concentration grant where these students represent more than 50% of a school district's enrollment. The Proposed Budget allocates $1.6 billion to begin increasing funding levels to a target base rate, with supplemental grants adjusted in tandem with the base increase. The Proposed Budget estimates the new formula will be fully implemented by fiscal year 2019-20.

- *Energy Efficiency Projects*. The Proposed Budget allocates supplemental corporate tax revenues raised by Proposition 39 (approved at the November 2012 general election) to schools and community colleges. Proposition 39 requires most interstate businesses to determine their taxable income using a single sales factor method, and provides that all revenues raised from the measure be transferred to a Clean Energy Job Creation Fund to support energy efficiency and alternative energy projects. The Proposed Budget would allocate all Proposition 39-related funding over the next five years exclusively to schools and community colleges, in an amount equal to $450 million in fiscal year 2012-13 and $550 million annually thereafter. For fiscal year 2013-14, this would include $400.5 million for school districts. Under the proposal, the California Department of Education and California Community College Chancellor's Office, in consultation with the California Energy Commission and California Public Utilities Commission, would develop guidelines for schools and community colleges in prioritizing the use of the funds.

- *Adult Education.* The Proposed Budget includes several changes to adult education funding, including narrowing State support to core instructional programs such as adult elementary and secondary education, vocational training, English as a second language, and citizenship. The Proposed Budget would also eliminate school district adult education categorical programs and consolidate the associated funding (approximately $600 million) into the proposed new K-12 funding formula. Adult education, under the Governor's plan, would be funded entirely through the community college system. The Proposed Budget would provide $300 million to create a new adult education categorical program within the statewide community college budget. Funds would be distributed to colleges based on the number of students served in the prior fiscal year. While community colleges would be responsible for administering adult education, they would be authorized to contract with school districts to provide instruction through the latter's adult schools.

- *K-12 Educational Mandates.* The Proposed Budget provides $100 million to augment the existing block grant program, reflecting the addition of two large educational mandates within the program: the Graduation Requirements ("GR") mandate and Behavioral Intervention Plans ("BIP"). Unlike other mandates included in the block grant program, the Proposed Budget does not provide school districts the option to submit independent claims for reimbursement in connection with GR and BIP.

- *Retiring K-14 Obligations.* The Proposed Budget would use half of the projected year-to-year growth in Proposition 98 spending in fiscal years 2013-14 through 2015-16 to reduce outstanding obligations to schools and community colleges, including the reduction of all apportionment deferrals, funding settle-up payments to reduce outstanding mandate claims, and retiring the State's obligations associated with the Emergency Repair Program and the QEIA.

- *Redevelopment Agency Funds.* The Proposed Budget assumed lower State general fund savings from the distribution of offsetting residual property tax revenues and redevelopment agency liquid assets. For the current year, the Proposed Budget projected that redevelopment-related distributions will be $1.1 billion less than what was assumed by the State budget for fiscal year 2012-13. For fiscal year 2013-14, the Proposed Budget projected that such distributions will be $494 million less than previously assumed. The LAO noted that, while the Governor's projections are reasonable, the process for dissolving redevelopment agencies has yet to be fully implemented, subjecting associated State general fund savings projections to considerable uncertainty.

Additional information regarding the Proposed Budget is available from the LAO's website: www.lao.ca.gov. However, such information is not incorporated herein by any reference.

May Revision. On May 14, 2013, the Governor released his May revision (the "May Revision") to the Proposed Budget. The following is drawn from the LAO's summary of the May Revision, released on May 17, 2013.

For fiscal year 2012-13, the May Revision projects year-end revenues of $98.2 billion, approximately $2.8 billion higher than previously projected. The May Revision attributes this increase to higher personal income tax collections. Expenditures are also expected to increase by a like amount, for a year-end total of $95.7 billion. The May Revision projects that the State will end the 2012-13 fiscal year with a $232 million general fund surplus. For fiscal year 2013-14, the May Revision projects revenues of $97.2 billion and authorizes expenditures of $96.4 billion. The State is projected to end the 2013-14 fiscal year with a $1.1 billion general fund surplus.

The May Revision continues to project modest improvements in the State and national economies, although Governor's near-term economic outlook is weaker than that of the Proposed Budget. The May Revision attributes this primarily to the implementation of federal sequestration cuts and the expiration of the federal payroll tax holiday. The LAO's economic projections, however, are more optimistic. The LAO assumes a higher level of capital gains from the sale of commercial stock and other assets, with an attendant increase in personal income tax collections, offset slightly by a projected drop in sales and use tax collections. For fiscal years 2012-13 and 2013-14, the LAO's revenue projections are higher than the Governor's by $3.5 billion and $1 billion, respectively.

For fiscal year 2012-13, the Proposition 98 minimum funding guarantee is revised at $56.5 billion (including $40.5 billion from the State general fund and Proposition 30 revenues), reflecting an increase of approximately $2.9 billion from the Proposed Budget. This increase is borne largely by the State general fund, as updated 2012-13 local property taxes are almost identical to that projected by the Proposed Budget. The May Revision allocates this increased funding, on a one-time basis, primarily to support implementation of the new Common Core academic standards, and to accelerate repayment of existing inter-year budgetary deferrals (as further discussed herein).

For fiscal year 2013-14, the minimum funding guarantee is revised at $55.3 billion (including $39.3 billion from the State general fund and Proposition 30 revenues), a reduction of approximately $941 million from the Proposed Budget. The LAO indicates that this reduction is due largely to the May Revision's lower projection regarding State general fund revenues that count towards the minimum funding guarantee. The State general fund share of the minimum guarantee drops by $1.5 billion, owing largely to higher projected property tax revenues for fiscal year 2013-14.

Significant features of the May Revision include the following:

- *Common Core Funding.* For fiscal year 2012-13, the May Revision would provide $1 billion of additional funding to implement the Common Core academic standards. Funding would be provided on a per-student basis, equating to approximately $170 per student. Schools districts would be required to use the funds for instructional materials, professional development and technology-related implementation. Districts would be required to develop an implementation plan and spend the funds over the next two fiscal years, with expenditures subject to an annual funding and compliance audit.

- *Deferral Reduction.* For fiscal year 2012-13, the May Revision provides an additional $1.8 billion to pay down school district and community college apportionment deferrals. As a result of the projected decline of the minimum funding guarantee in fiscal year 2013-14, the May Revision reduces the proposed pay down of deferrals in fiscal year 2013-14 by $1 billion (bringing total deferral reductions in that fiscal year to $920 million). As a result, the May Revision projects that, at the beginning of the 2014-15 fiscal year, outstanding school district and community college deferrals will total $5.5 billion.

- *Local Control Funding Formula.* The May Revision proposes an additional $236 million to implement the Local Control Funding Formula included in the Proposed Budget. The May Revision also makes certain adjustments related largely to supplemental funding for English learner and low income students , including (i) the use of a three-year rolling average percentage of English learner and low income students served by a local education agency for purposes of calculating supplemental and concentration grants, (ii) allowing English learner students to generate supplemental funding for seven (rather than five) years, and (iii) requiring local education agencies to allocate English learner and low income student funding in proportion to their enrollment of such students. Additionally, the May Revision proposes to strengthen academic accountability through a tiered intervention system through which county superintendents of schools, the Fiscal Crisis and Management Assistance Team and the State Superintendent of Public Instruction could intervene in local educational agencies that fail to meet academic performance targets.

- *Restructuring of Adult Education.* The May Revision rescinds the prior proposal that would have provided $300 million of funding to create a new adult education categorical program within the statewide community college budget. Instead, the May Revision provides $30 million in fiscal year 2013-14 to fund two-year planning and implementation grants for the development of regional adult education consortiums. Providers would have two years to form such consortiums and develop plans for coordinating and integrating services. Beginning in fiscal year 2015-16, the May Revision proposes to provide $500 million to fund adult education through consortiums. Under the Governor's plan, consortiums would submit applications to the State Department of Education and the California Community College Chancellor's Office, which would jointly review the applications and allocate funding. Funding would be limited to critical areas such as English as a second language and vocational instruction. Providers would receive the same funding level currently received by community colleges for enhanced, non-credit funding. To create an incentive for districts to continue providing adult education in fiscal years 2013-14 and 2014-15, the May Revision proposes to earmark two-thirds of the proposed $500 million augmentation to providers that meet this criteria.

- *Energy Efficiency Projects.* The May Revision includes a revised estimate of Proposition 39 corporate tax revenue collections, resulting in an increase of $14 million of funding for support energy efficiency and alternative energy projects.

- *Local Property Tax Adjustments.* For fiscal year 2013-14, local property tax collections are projected to be $579 million than that assumed by the Proposed Budget, due largely to higher estimates of higher redevelopment agency revenues re-directed to schools and community colleges. These higher property taxes would offset State general fund support for education by a like amount.

- *Special Education.* The May Revision provides for an increase of $60.7 million in Proposition 98 funding for special education programs to backfill a federal sequestration cut to an Individuals with Disability Education Act grant.

Additional information regarding the May Revise may be obtained from the LAO at www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Recent Litigation Regarding State Budgetary Provisions. On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the State budget for fiscal year 2011-12 improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution. On March 27, 2012, the superior court issued a preliminary ruling which denied the order requested by the CSBA Petition. On June 1, 2012, the court adopted the tentative ruling as an order. On July 27, 2012, the petitioners filed a notice of appeal of the court's decision. On February 26, 2013, the appeals court dismissed the appeal and affirmed the trial court's ruling.

The District makes no representations regarding the viability of the claims in the CSBA Petition, nor can the District predict whether the petitioners will be successful. Moreover, the District makes no representations as to how a final decision by the Superior Court would affect the State's ability to fund education in future fiscal years.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

CHICO UNIFIED SCHOOL DISTRICT

The information presented in this section concerning the operations of the District and the District's operating budget are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources for Payment" herein.

The District

The District was formed in 1965 and is located in California's Sacramento Valley, approximately 90 miles north of the City of Sacramento. The territory of the District encompasses approximately 322 square miles, including all of the City of Chico and unincorporated areas of the County. The District is a unified school district serving students in grades K-12. The District currently operates 13 elementary schools for grades K-6, one open structure school for grades K-8, three junior high schools for grades 6-8, two comprehensive high schools, one continuation high school, one community day school, one independent study school for grades K-12, two dependent charter schools and one special services school. For fiscal year 2012-13, the District's enrollment is 12,022 students, and taxable property within the District has a total assessed valuation is $9,555,608,792.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Chico Unified School District, Chico Unified School District, 1163 East Seventh Street, Chico, CA 95928, telephone: (530) 891-3000, Attention: Superintendent. The District may impose a charge for copying, mailing and handling.

Administration

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The following table provides information on Board members and their current terms.

BOARD OF EDUCATION
Chico Unified School District

Board Member	Office	Term Expires
Elizabeth Griffin	President	December 2016
Dr. Kathleen Kaiser	Vice President	December 2014
Linda Hovey	Clerk	December 2016
Eileen Robinson	Member	December 2014
Dr. Andrea Lerner Thompson	Member	December 2014

The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Brief biographies of key personnel follow:

Kelley Staley, Superintendent. Ms. Staley has served as the Superintendent of the District since February of 2008. Ms. Staley has also served the District as Interim Superintendent and Assistant Superintendent, Educational Services. Previously, Ms. Staley served as a principal and assistant principal for Lodi Unified School District, and as a teacher and coach for Capistrano Unified School District. Ms. Staley received a Bachelor of Arts degree in English from the California State University at Chico and a Master of Arts degree in educational administration from Pepperdine University.

Maureen Fitzgerald, Assistant Superintendent, Business Services. Ms. Fitzgerald has served as Assistant Superintendent of the District since October 2010. Ms. Fitzgerald has over 25 years of experience in school business. Ms. Fitzgerald has been in school business administration since 1995, holding the positions of Chief Business Official and Assistant Superintendent since 2000.

Recent Enrollment Trends

The following table shows a seven-year enrollment history for the District.

K-8 STUDENT ENROLLMENT
FISCAL YEARS 2006-07 THROUGH 2012-13
Chico Unified School District

Year	Enrollment	Annual Change	Annual % Change
2006-07	13,080	--	--
2007-08	12,918	(162)	(1.24)%
2008-09	12,824	(94)	(0.73)
2009-10	12,239	(585)	(4.56)
2010-11	11,881	(358)	(2.93)
2011-12	11,880	(1)	(0.01)
2012-13	12,022	142	1.20

Note: Enrollment as of October CBEDS in each school year. Enrollment excludes all students attending charter schools operating within the District.
Source: Chico Unified School District.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and the petition for a charter school's creation approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District currently operates one charter school: Inspire School for Arts and Sciences. In addition, within its boundaries there are currently six charter schools not operated by the District: (i)

Chico County Day School, (ii) Blue Charter School, (iii) Forest Ranch Charter School, (iv) Nord Country School, (v) Sherwood Montessori, and (vi) Wildflower Open Classroom School. Approximately 1,400 students are currently enrolled in these independent charter schools. The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools, and the corresponding financing impact on the District.

Labor Relations

As of January 1, 2013, the District employed 685 full-time equivalent certificated and 619 classified employees. The District also employs 73 management staff. District employees, except management and some part-time employees are represented by the bargaining units noted in the following table.

LABOR BARGAINING UNITS
Chico Unified School District

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Chico Unified Teachers Association ("CUTA")	685	August 31, 2012[(1)]
California School Employees Association, Chapter 110 ("CSEA")	619	November 15, 2015

[(1)] Members of this unit are working under the terms of their expired contract. Negotiations for a new labor contract are ongoing.
Source: Chico Unified School District.

Retirement Programs

The information set forth below regarding the District's retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by any of the District, the Financial Advisor or the Underwriter.

CalSTRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("CalSTRS"). CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contribute 8% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 3.041% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution of 1.024% that will vary from year-to-year based on statutory criteria.

The District's contributions to CalSTRS was $3,933,060 in fiscal year 2009-10, $3,902,574 in fiscal year 2010-11, and $4,021,188 in fiscal year 2011-12. The District has projected $3,858,347 as its contribution to CalSTRS for fiscal year 2012-13.

CalPERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("CalPERS"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to CalPERS at an actuarially determined rate, which is 11.417% of eligible salary expenditures for fiscal year 2012-13, while participants contribute 7% of their respective salaries.

School district contributions to CalPERS are capped at 13.02% of gross expenditures for any given fiscal year. To the extent a district's contribution rate to CalPERS is less than 13.02%, the State will reduce the such district's revenue limit for that year by the difference between the maximum contribution rate and a district's actual contribution rate. Alternatively, if such district's contribution rate is greater than 13.02%, the State is required to provide additional revenue limit allocations to such district to make up the difference.

The District's contributions to CalPERS was $1,539,128 in fiscal year 2009-10, $1,710,757 in fiscal year 2010-11, and $1,751,413 in fiscal year 2011-12. The District has projected $1,830,940 as its contribution to CalPERS for fiscal year 2012-13.

State Pension Trusts. Each of CalSTRS and CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: www.calstrs.com; (ii) CalPERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both CalSTRS and CalPERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions.

The following table summarizes information regarding the actuarially-determined accrued liability for both CalSTRS and CalPERS.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)[1]

Plan	Accrued Liability	Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$58,358	$45,901[2]	$(12,457)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	215,189	144,232[3]	(70,957)

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets as of June 30, 2011.
(3) Reflects actuarial value of assets as of June 30, 2012.
Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

Unlike CalPERS, CalSTRS contribution rates for participant employers and employees hired prior to the Implementation Date (defined herein), as well as the State's base contribution rate, are set by statute and do not currently vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to CalSTRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of CalSTRS has increased significantly. This unfunded liability is expected to continue to increase in the absence of legislation requiring additional or increased contributions. The District can make no representations regarding the future program liabilities of CalSTRS, or whether the District will be required to make larger contributions to CalSTRS in the future. The District can also provide no assurances that the District's required contributions to CalPERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both CalSTRS and CalPERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to CalPERS and CalSTRS, the Reform Act also: (i) requires all new participants enrolled in CalPERS and CalSTRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires CalSTRS and CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Other Post-Employment Benefits

Benefits Plan. The District provides post-employment health/prescription drug insurance benefits to eligible retirees of the District through the Butte Schools Self-Funded Program ("BSSP") joint powers authority. Currently, the District pays for medical premiums based on a two-tiered rate schedule (a composite rate for retired employees and their spouse, and second rate for retirees only). All benefits are provided until age 65, with two exceptions: (i) a group of CUTA employees hired prior to April 1, 1986 that opted out of Medicare Part A, and (ii) one retired District superintendent receiving lifetime benefits. In addition, certificated retirees hired prior to April 1, 1986 who do not have either Medicare Part A or Part B, after reaching 65, are eligible for a District-paid reimbursement reflecting 50% of insurance premiums for such Medicare Part A or Part B. This benefit is capped at $2,400 in any one-year period.

Generally, certificated, classified and management employees are eligible for benefits after reaching age 55 and 5 years of service; certificates employees hired on and after October 1, 2009 must have at least 10 years of service. Employees may retire between the ages of 50 and 55 and preserve their right to District-paid benefits by self-paying the medical premiums until age 55.

As of June 30, 2012, there were 228 retirees meeting the above-described eligibility requirements, and approximately 1,097 active plan participants. The District currently funds post-employment benefits in an amount sufficient to cover the cost of current premiums for retirees. For fiscal year 2011-12, the District realized $2,389,128 for such expenses. For fiscal year 2012-13, the District has projected $2,836,644 for such expenses.

Accrued Liability. The District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the post-employment benefits. The most recent of these studies (the "Study"), dated as of September 22, 2012, determined that the unfunded actuarial accrued liability (the "AAL") with respect to such benefits, as of a July 1, 2011 valuation date, was $20,809,318, and that the annual required contribution ("ARC"), beginning with fiscal year 2011-12, was $2,389,128. The ARC is composed of the value of future benefits earned by current employees during each fiscal year (the "Normal Cost"), and the amount necessary to amortize the AAL. Collectively, the ARC is the amount that would be necessary to fund both the Normal Cost and the AAL in accordance with the GASB Statements Nos. 43 and 45.

For more information regarding the District's post-employment benefit plan, see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2011-12 AUDITED FINANCIAL STATEMENTS – Note 19."

Risk Management

The District participates in joint ventures under Joint Powers Agreements ("JPAs") with the Butte Schools Self-Funded Program ("BSSP"), North Valley Schools Insurance Group ("NVSIG") and Schools Excess Liability Fund ("SELF"). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provides coverage for its members. The JPAs are governed by a board consisting of representatives from each member district. The board controls the operations of the JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the related JPA.

District Debt Structure

Long-Term Liabilities. A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2012, is shown below:

	Balance July 1, 2011	**Additions**	**Deductions**	**Balance June 30, 2012**
Compensated absences	$447,088	$157,122	--	$604,210
General obligation bonds	52,195,000	--	$1,685,000	50,510,000
Bond issuance premium	726,506	--	34,459	692,047
Capital leases	492,924	--	23,991	468,933
Certificates of participation	1,700,000	--	240,000	1,460,000
COPs issuance premium	(14,176)	--	--	(14,176)
Early retirement incentives	1,864,130	--	694,442	1,169,688
Total	$57,411,472	$157,122	$2,677,892	$54,890,702

Source: Chico Unified School District.

General Obligation Bonds. The following table shows a combined debt service schedule for all of the District's outstanding bonded debt, including the Bonds (and assuming no optional redemptions).

Year Ending August 1	Election of 1998 Series B Bonds	2012 Refunding Bonds	The Bonds	Total Annual Debt Service
2013	$1,649,025.00	$2,455,980.00	--	$4,105,005.00
2014	1,784,362.50	2,155,832.50	$877,083.33	4,817,278.33
2015	1,933,162.50	2,162,667.50	750,000.00	4,845,830.00
2016	2,095,362.50	2,167,935.00	750,000.00	5,013,297.50
2017	2,264,218.76	1,536,635.00	750,000.00	4,550,853.76
2018	2,438,631.26	1,061,865.00	750,000.00	4,250,496.26
2019	2,625,131.26	1,059,635.00	750,000.00	4,434,766.26
2020	2,823,531.26	1,056,835.00	750,000.00	4,630,366.26
2021	3,036,731.26	1,058,465.00	750,000.00	4,845,196.26
2022	3,258,731.26	1,059,382.50	750,000.00	5,068,113.76
2023	3,490,918.76	1,059,587.50	750,000.00	5,300,506.26
2024	3,742,768.76	1,064,080.00	750,000.00	5,556,848.76
2025	4,011,018.76	1,057,717.50	750,000.00	5,818,736.26
2026	4,288,518.76	1,060,785.00	750,000.00	6,099,303.76
2027	1,268,768.76	1,062,997.50	750,000.00	3,081,766.26
2028	1,105,343.76	1,059,355.00	750,000.00	2,914,698.76
2029	1,247,318.76	--	945,000.00	2,192,318.76
2030	1,281,193.76	--	1,035,250.00	2,316,443.76
2031	1,360,943.76	--	1,085,500.00	2,446,443.76
2032	1,438,593.76	--	1,122,500.00	2,561,093.76
2033	--	--	1,336,750.00	1,336,750.00
2034	--	--	1,444,250.00	1,444,250.00
2035	--	--	1,509,750.00	1,509,750.00
2036	--	--	1,570,000.00	1,570,000.00
2037	--	--	1,630,000.00	1,630,000.00
2038	--	--	1,754,500.00	1,754,500.00
2039	--	--	1,730,000.00	1,730,000.00
2040	--	--	1,788,500.00	1,788,500.00
2041	--	--	1,850,750.00	1,850,750.00
2042	--	--	1,916,250.00	1,916,250.00
2043	--	--	1,984,500.00	1,984,500.00
Total	$47,144,275.16	$22,139,755.00	$34,080,583.33	$103,364,613.49

Certificates of Participation. On October 28, 2004, the District caused its Certificates of Participation (2004 Capital Projects) (the "2004 Certificates") to be executed and delivered in the aggregate principal amount of $2,705,000 to fund the modernization of certain schools facilities of the District, as well as other capital projects. The 2004 Certificates are payable from lease payments to be made by the District for the use and possession of certain District sites that are the subject of a lease agreement between the District and the Chico Unified Schools Financing Corporation. The following table shows the future annual lease payments with respect to the 2004 Certificates:

Year	Annual Lease Payment
2013	$302,252
2014	308,585
2015	314,075
2016	318,650
2017	322,306
2018	35,700
Total	$1,601,568

Capital Leases. The District leases equipment under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments with respect thereto are listed below.

ANNUAL LEASE PAYMENTS
Capital Leases
Chico Unified School District

Year Ending June 30	Lease Payments
2013	$47,667
2014	47,666
2015	47,667
2016	47,666
2017	47,666
2018-2022	238,333
2023-2026	165,688
Total	$642,353

Source: Chico Unified School District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code of the State, are eligible for security for deposits of public moneys in the State.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than eight months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2012-13 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Reports or the notices of material events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District failed to file the annual reports for fiscal years 2007-08 through 2011-12 in a timely manner, as required by continuing disclosure undertakings entered into prior to the issuance of the Bonds. All such reports and material event notices have been filed, and the District for such years in currently in material compliance with such existing undertakings. As of April of 2013, the District has hired Isom Advisors, a division of Urban Futures, to act as Dissemination Agent (as defined in APPENDIX C) to assist the District in meeting its reporting obligations under all of its existing continuing disclosure undertakings.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds. There are no lawsuits and claims pending against the District.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. A copy of the proposed form of such legal opinion for the Bonds is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of "Aa3" and "A+" by Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively. The ratings reflect only the view of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, NY 10007; Standard & Poor's, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Financial Statements

Excerpts from the financial statements with supplemental information for the year ended June 30, 2012, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Tittle & Company, LLP (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by E. J. De La Rosa & Co. (the "Underwriter"). The Underwriter has agreed, pursuant to a purchase contract by and between the District and the Underwriter (the "Purchase Contract"), to purchase all of the Bonds for a purchase price of $16,699,340.00 (consisting of the initial principal amount of the Bonds of $15,000,000.00, plus net original issue premium of $1,765,340.00, and less the Underwriter's discount of $66,000.00).

The Purchase Contract related to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth therein, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices. The offering prices may be changed from time to time by the Underwriter.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

CHICO UNIFIED SCHOOL DISTRICT

By: /s/ Kelly Staley
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

May 30, 2013

Board of Education
Chico Unified School District
Chico, California

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $15,000,000 Chico Unified School District (Butte County, California) Election of 2012 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, a fifty-five percent vote of the qualified electors of the Chico Unified School District (the "District") voting at an election held on November 6, 2012 and a resolution of the Board of Education of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest is may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of

the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2011-12 AUDITED FINANCIAL STATEMENTS

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Matson & Isom

Chico Unified School District

County of Butte
Chico, California

Financial Statements and Supplementary Information with Independent Auditors' Reports

June 30, 2012

Page Number

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INDEPENDENT AUDITORS' REPORT

MATSON & ISOM

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chico Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2013, on our consideration of the District'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT
Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Matson and Isom

February 6, 2013
Chico, California

FINANCIAL SECTION

Required Supplementary Information

INTRODUCTION

This section of the Chico Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the independent auditors' report presented and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities provide information about how District services were financed in the short term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- Total net assets were $101,595,617 at June 30, 2012. This was a decrease of $1,872,446 over the prior year.
- Overall revenues were $112,741,452, total current-year expenses exceeded revenues by $1,872,466 primarily due to multiple years of underfunding to education by the State of California.
- Capital assets, net of depreciation, decreased by $378,118 due to current-year recognition of $3,971,325 of depreciation expense which was in excess of construction in progress additions made during the year.
- Long-term debt decreased by $2,520,770 due to incurring no new debt and making payments on the general obligation bonds, early retirement incentives, and certificates of participation.
- The District maintains sufficient reserves for a district its size. It meets the State required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2011-12, General Fund expenditures and other financing uses totaled $102,449,354. At June 30, 2012, the District has available reserves of $14,048,471 in the General Fund, which represents a reserve of 14%.

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

Government-Wide Financial Statements: Comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

Fund Financial Statements: Focus on reporting the individual parts of the District's operations in more detail.

- Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
- Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The District as a whole is reported in the government-wide financial statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the statement of net assets. The statement of activities reports all of the current-year's revenues and expenses, regardless of when cash is received or paid. The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the statement of net assets and the statement of activities, we divide the District into two kinds of activities:

Governmental Activities

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contract and grants, and local revenues.

Business-Type Activities

The District does not provide any services that should be included in this category.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by state law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds

The General, Building, Capital Facilities, and County School Facilities Fund represent the major governmental funds of the District. Governmental fund reporting focuses on how money flows into and out of the funds and balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Fiduciary Funds

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $101,595,617 for the fiscal year ended June 30, 2012. Restricted net assets are reported separately if they are not available for day-to-day operations or their use is constrained to a particular purpose by statutes, rules or other entities with authority over the District.

	Governmental Activities		Percentage Change
	2011	**2012**	**2011-12**
ASSETS			
Cash and investments	$ 55,165,285	$ 43,398,783	-21.3%
Accounts receivable	18,032,636	22,958,451	27.3%
Inventories and other assets	1,415,078	1,518,723	7.3%
Capital assets - net of accumulated depreciation	94,760,889	94,382,771	-0.4%
Total Assets	$ 169,373,888	$ 162,258,728	-4.2%
LIABILITIES			
Accounts payable and other current liabilities	$ 8,494,333	$ 5,772,409	-32.0%
Long-term debt	57,411,472	54,890,702	-4.4%
Total Liabilities	$ 65,905,805	$ 60,663,111	-8.0%
NET ASSETS			
Invested in capital assets - net of related debt	$ 56,668,417	$ 57,229,615	1.0%
Restricted	45,075,203	43,291,312	-4.0%
Unrestricted	1,724,463	1,074,690	-37.7%
Total Net Assets	$ 103,468,083	$ 101,595,617	-1.8%

Change in Net Assets

The following table summarizes the change in net assets for the District. Expenses exceeded the District's revenues for the year by $1,872,466. The District's expenses are primarily related to educating and caring for students and make up 83.7% of all expenses. Administrative activities of the District account for 5.9% of the total costs. The decrease in revenues is related to multiple years of underfunding to education from the State. The increase in expenses is related to statutory increases to salaries and benefits per collective bargaining agreements, increases to health and welfare insurance premiums, and increases in property and liability insurance premiums.

	Governmental Activities		Percentage Change
	2011	**2012**	**2011-12**
REVENUES			
PROGRAM REVENUES			
Charges for services	$ 350,544	$ 672,527	91.9%
Operating grants and contributions	31,387,032	30,799,100	-1.9%
Capital grants and contributions	1,007,878	96,002	-90.5%
GENERAL REVENUES			
Property taxes	29,433,492	30,242,646	2.7%
Federal and state aid not restricted	57,254,455	48,373,867	-15.5%
Interest and investment earnings	324,737	432,341	33.1%
Miscellaneous	2,549,568	2,124,969	-16.7%
Total Revenues	122,307,706	112,741,452	-7.8%
EXPENSES			
Instruction	71,631,932	74,421,298	3.9%
Instruction - related services	9,072,562	9,259,704	2.1%
Pupil services	11,202,422	12,289,085	9.7%
General administration	5,354,930	6,743,928	25.9%
Plant services	8,264,898	8,276,871	0.1%
Ancillary services	524,892	577,755	10.1%
Community services	20,846	13,660	-34.5%
Enterprise activities	78,139	-	-100.0%
Other outgo	4,225,418	3,031,617	-28.3%
Total Expenses	110,376,039	114,613,918	3.8%
Change in Net Assets	$ 11,931,667	$ (1,872,466)	-115.7%

The table below represents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's general revenues.

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2011	**2012**	**2011-12**	**2011**	**2012**	**2011-12**
Instruction	$ 71,631,932	$ 74,421,298	-2.7%	$ 46,256,832	$ 52,270,185	0.3%
Instruction - related services	9,072,562	9,259,704	0.2%	8,112,913	8,171,892	2.0%
Pupil services	11,202,422	12,289,085	1.2%	5,758,628	5,838,312	59.1%
General administration	5,354,930	6,743,928	-6.9%	4,629,697	5,834,908	-7.2%
Plant services	8,264,898	8,276,871	0.9%	8,260,615	8,269,120	1.1%
Ancillary services	524,892	577,755	7.4%	518,003	(153,451)	6.6%
Community services	20,846	13,660	-39.1%	20,846	13,660	39.3%
Enterprise activities	78,139	-	-25.4%	78,139	-	-25.4%
Other outgo	4,225,418	3,031,617	43.2%	3,994,912	2,801,663	98.4%
Total	$ 110,376,039	$ 114,613,918	-2.5%	$ 77,630,585	$ 83,046,289	1.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of $61,938,022, a decrease of $4,186,452 from the previous year. Following is a summary of the District's fund balances.

	Fund Balance 2011	Fund Balance 2012	Increase (Decrease)
General	$ 23,110,311	$ 20,716,095	$ (2,394,216)
Charter Schools	-	440,849	440,849
Cafeteria Special Revenue	47,310	10,577	(36,733)
Building	18,207,781	15,371,122	(2,836,659)
Capital Facilities	11,334,545	11,343,474	8,929
County School Facilities	7,981,588	8,125,089	143,501
Special Reserve Capital Projects	620,396	1,308,352	687,956
Bond Interest and Redemption	4,575,876	4,372,908	(202,968)
Debt Service	246,667	249,556	2,889
Total	$ 66,124,474	$ 61,938,022	$ (4,186,452)

The General Fund decrease is due primarily to deficit spending resulting from underfunding for education from the State. A portion of the decrease is due to the transfer of fund balance to the Charter Schools Fund.

The Charter Schools Fund increase is due to a change in accounting for the charter school activity of Inspire Schools of Arts and Sciences in the Charter Schools Fund instead of the General Fund.

The Building Fund decrease is due to beginning the final phase of Measure A projects. These projects will continue through 2012-13 and conclude in 2013-14.

The County School Facilities Fund increase is due to the delay in project spending from the 2011-12 year to the 2012-13 year.

The Special Reserve Capital Projects Fund increase is due to the delay in project spending from the 2011-12 year to the 2012-13 year.

The Bond Interest and Redemption Fund decrease is due primarily from reduced taxes on the secured tax roll along with debt payments from the Series B 1998 General Obligation Bond reflecting actual yearly activity.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on the Governor's May Revise. Not later than 45 days after the state budget is adopted, school districts are required to make available for public review any revisions in revenues and expenditures that it makes to its budget to reflect the funding made available by the State budget. In addition, the District revises its budget at the first and second interim reporting periods. Budgeted revenues increased by $1,918,523 and budgeted expenditures increased by $128,964. The budget amendments for the year typically fell into the following categories:

- Final revenue limit and class size reduction allocations were higher than anticipated.
- Restricted programs are fully budgeted to be spent even though they continue to have carryover and deferred revenue.
- Medi-Cal Administrative Activities (MAA) revenues were funded for both the prior and current years in 2011-12.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long-term debt.

Capital Assets

The District has invested $94,382,771 in capital assets including land, buildings and improvements, and equipment and vehicles. The District purchased land for a parking lot at Chapman Elementary School, installed sewer connections at two sites, installed portables at Fair View High School, replaced a water tank at the Forest Ranch School site, and purchased four vehicles and three trailers. In addition, the District continued construction on the Pleasant Valley High School classroom buildings and the Inspires School of the Arts and Sciences relocatable classrooms. The District disposed of six vehicles.

	Governmental Activities		**Percentage Change**
	2011	**2012**	**2011-12**
Land	$ 11,785,001	$ 11,825,696	0.3%
Construction in progress	1,636,608	3,039,185	85.7%
Site improvements	7,492,658	8,083,937	7.9%
Buildings	133,144,182	134,174,482	0.8%
Equipment and vehicles	4,989,976	5,339,821	7.0%
Subtotal	159,048,425	162,463,121	2.1%
Less: Accumulated depreciation	64,287,536	68,080,350	5.9%
Total	$ 94,760,889	$ 94,382,771	-0.4%

Long-Term Debt

The District has $54,890,702 in long-term debt as of June 30, 2012. The District did not enter into any new debt-financing arrangements in 2011-12 and made normally scheduled payments on the general obligation bonds, capital leases, certificates of participation, and early retirement incentives.

	Governmental Activities		Percentage Change
	2011	**2012**	**2011-12**
Compensated absences	$ 447,088	$ 604,210	35.1%
General obligations bonds	52,195,000	50,510,000	-3.2%
Bond issuance premium	726,506	692,047	-4.7%
Capital leases	492,924	468,933	-4.9%
Certificates of participation	1,685,824	1,445,824	-14.2%
Early retirement incentives	1,864,130	1,169,688	-37.3%
Total	$ 57,411,472	$ 54,890,702	-4.4%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Enrollment projections indicate enrollment stability, however, the District has experienced several years of declining enrollment as well as enrollment loss to charter schools. The District will continue to monitor enrollment carefully for trending and accuracy.
- Health benefits, workers' compensation rates, and fuel and energy costs continue to escalate.
- Mandated programs such as special education, special education transportation, food service, and routine restricted maintenance continue to experience costs far in excess of program revenues, which negatively impact the District's ability to fund other instructional programs.
- Statutory salary and benefit increases per collective bargaining agreements continue to exceed additional state funding, resulting in on-going deficit spending.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Maureen Fitzgerald
Assistant Superintendent, Business Services
Chico Unified School District
1163 East 7th Street
Chico, California 95928
(530) 891-3000 x.112

Basic Financial Statements

June 30, 2012		Governmental Activities
ASSETS		
Cash and investments	$	43,398,783
Accounts receivable		557,900
Due from other governments		22,400,551
Inventories - supplies and materials		334,689
Prepaid expenses		603,076
Net OPEB deferred charge		580,958
Nondepreciated capital assets		14,864,881
Depreciated capital assets		147,598,240
Accumulated depreciation		(68,080,350)
Total Assets	$	162,258,728
LIABILITIES		
Overdraft in county treasury	$	1,297,352
Accounts payable and other current liabilities		3,807,097
Due to other governments		543,666
Deferred revenue		124,294
Long-term obligations:		
Due within one year		2,476,221
Due beyond one year		52,414,481
Total Liabilities	$	60,663,111
NET ASSETS		
Invested in capital assets - net of related debt	$	57,229,615
Restricted for capital projects		34,839,685
Restricted for debt service		4,622,464
Restricted for educational programs		3,829,163
Unrestricted		1,074,690
Total Net Assets	$	101,595,617

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

STATEMENT OF ACTIVITIES

Chico Unified School District

Year Ended June 30, 2012	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets: Governmental Activities
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental activities:					
Instruction	$ 74,421,298	$ 566,239	$ 21,488,872	$ 96,002	$ (52,270,185)
Instruction - related services	9,259,704	25,450	1,062,362	-	(8,171,892)
Pupil services	12,289,085	38,269	6,412,504	-	(5,838,312)
Ancillary services	577,755	-	731,206	-	153,451
Community services	13,660	-	-	-	(13,660)
General administration	6,743,928	22,810	886,210	-	(5,834,908)
Plant services	8,276,871	339	7,412	-	(8,269,120)
Other outgo	475,270	19,420	210,534	-	(245,316)
Interest on long-term debt	2,556,347	-	-	-	(2,556,347)
Total Governmental Activities	$ 114,613,918	$ 672,527	$ 30,799,100	$ 96,002	(83,046,289)

GENERAL REVENUES	
Property taxes - levied for general purposes	23,383,663
Property taxes - levied for debt service	3,894,840
Property taxes - levied for other specific purposes	2,964,143
Federal and state aid not restricted to specific purposes	48,373,867
Unrestricted investment earnings	432,341
Interagency revenues	3,718
Miscellaneous	2,121,251
Total General Revenues and Transfers	81,173,823
Change in Net Assets	(1,872,466)
Net Assets - Beginning of Year	103,468,083
Net Assets - End of Year	$ 101,595,617

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

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2012	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 1,192,739	$ 15,739,130	$ 11,362,369	$ 8,125,089	$ 6,979,316	$ 43,398,643
Accounts receivable	545,205	-	-	-	12,695	557,900
Due from other governments	21,746,222	-	-	-	654,329	22,400,551
Due from other funds	-	-	-	-	44,034	44,034
Inventories - supplies and materials	280,912	-	-	-	53,777	334,689
Prepaid expenditures	9,600	-	-	-	-	9,600
Total Assets	$ 23,774,678	$ 15,739,130	$ 11,362,369	$ 8,125,089	$ 7,744,151	$ 66,745,417
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Overdraft in county treasury	$ -	$ -	$ -	$ -	$ 1,297,352	$ 1,297,352
Accounts payable and other current liabilities	2,346,589	368,008	18,895	-	64,557	2,798,049
Due to other governments	543,666	-	-	-	-	543,666
Due to other funds	44,034	-	-	-	-	44,034
Deferred revenue	124,294	-	-	-	-	124,294
Total Liabilities	3,058,583	368,008	18,895	-	1,361,909	4,807,395
FUND BALANCES						
Nonspendable	315,512	-	-	-	53,777	369,289
Restricted	3,811,365	15,371,122	11,343,474	8,125,089	4,640,262	43,291,312
Assigned	2,540,747	-	-	-	1,731,403	4,272,150
Unassigned	14,048,471	-	-	-	(43,200)	14,005,271
Total Fund Balances	20,716,095	15,371,122	11,343,474	8,125,089	6,382,242	61,938,022
Total Liabilities and Fund Balances	$ 23,774,678	$ 15,739,130	$ 11,362,369	$ 8,125,089	$ 7,744,151	$ 66,745,417

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

Total Fund Balances – Governmental Funds		$ 61,938,022
Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost	$162,463,121	
Accumulated depreciation	(68,080,350)	
		94,382,771
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:		593,476
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(1,009,048)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds	51,202,047	
Net OPEB obligation (deferred charge)	(580,958)	
Compensated absences	604,210	
Certificates of participation	1,445,824	
Capital leases	468,933	
Early retirement incentives	1,169,688	
		(54,309,744)
Balance Forward		$101,595,477

Balance Brought Forward		$ 101,595,477
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:		140
Total Net Assets – Governmental Activities		$ 101,595,617

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Chico Unified School District

Year Ended June 30, 2012	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 23,339,629	$ -	$ -	$ -	$ 6,903,017	$ 30,242,646
State revenue	54,588,938	-	-	-	2,654,221	57,243,159
Federal revenue	13,794,299	-	-	-	3,330,468	17,124,767
Interest and investment earnings	7,076	(173,448)	64,901	155,392	26,625	80,546
Other local revenue	6,201,359	-	987,391	17,264	849,030	8,055,044
Total Revenues	97,931,301	(173,448)	1,052,292	172,656	13,763,361	112,746,162
EXPENDITURES						
Current:						
Instruction	70,032,142	-	-	-	1,427,921	71,460,063
Instruction - related services	8,299,039	-	-	-	737,843	9,036,882
Pupil services	8,146,469	-	-	-	4,161,266	12,307,735
Ancillary services	575,527	-	-	-	21,077	596,604
Community services	13,660	-	-	-	-	13,660
General administration	5,812,523	-	492,696	-	251,911	6,557,130
Plant services	7,773,048	2,772	11,705	-	200,380	7,987,905
Transfers between agencies	475,270	-	-	-	-	475,270
Debt service:						
Principal	886,013	-	-	-	1,685,000	2,571,013
Interest and other charges	151,091	-	-	-	2,426,525	2,577,616
Issuance costs and discounts	950	-	-	-	-	950
Capital outlay	110,670	2,660,439	509,316	29,155	38,329	3,347,909
Total Expenditures	102,276,402	2,663,211	1,013,717	29,155	10,950,252	116,932,737
Excess (Deficiency) of Revenues Over Expenditures	(4,345,101)	(2,836,659)	38,575	143,501	2,813,109	(4,186,575)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	2,123,837	-	-	-	172,952	2,296,789
Interfund transfers out	(172,952)	-	(29,646)	-	(2,094,068)	(2,296,666)
Total Other Financing Sources (Uses)	1,950,885	-	(29,646)	-	(1,921,116)	123
Net Change in Fund Balances	(2,394,216)	(2,836,659)	8,929	143,501	891,993	(4,186,452)
Fund Balances - Beginning of Year	23,110,311	18,207,781	11,334,545	7,981,588	5,490,249	66,124,474
Fund Balances - End of Year	$ 20,716,095	$ 15,371,122	$ 11,343,474	$ 8,125,089	$ 6,382,242	$ 61,938,022

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

Total Net Change in Fund Balances – Governmental Funds		$ (4,186,452)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	$ 3,546,738	
Depreciation expense	(3,917,325)	
		(370,587)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		2,643,433
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		39,285
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(4,714)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(157,122)
Balance Forward		$ (2,036,157)

Balance Brought Forward		$ (2,036,157)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		183,693
Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as construction in progress must be written off to expense. Costs written off for canceled projects were:		(2,813)
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:		
Issue costs incurred during the period	$ 950	
Issue costs amortized for the period	(52,475)	
		(51,525)
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:		34,459
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		(123)
Change in Net Assets of Governmental Activities		$ (1,872,466)

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

June 30, 2012	Self-Insurance Internal Service
ASSETS	
CURRENT ASSETS	
Cash and investments	$ 140
NET ASSETS	
Unrestricted	$ 140

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUND

Year Ended June 30, 2012		Self-Insurance Internal Service
NONOPERATING REVENUES		
Operating transfers out	$	(123)
Change in Net Assets		(123)
Net Assets - Beginning of Year		263
Net Assets - End of Year	$	140

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

Year Ended June 30, 2012	Self-Insurance Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash paid for services and other operating expenses	$ (9,371)
Net Cash Used by Operating Activities	(9,371)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers out	(123)
Net Decrease in Cash	(9,494)
Cash - Beginning of Year	9,634
Cash - End of Year	$ 140
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ -
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	123
Decrease in accounts payable	(9,494)
Total Adjustments	(9,371)
Net Cash Used by Operating Activities	$ (9,371)

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

June 30, 2012		Agency
ASSETS		
Cash and investments	$	862,007
Accounts receivable		3,244
Inventories - supplies and materials		34,334
Total Assets	$	899,585
LIABILITIES		
Accounts payable	$	25,978
Due to student groups		873,607
Total Liabilities	$	899,585

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

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

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, an independent study school, and a special services school in Chico, California. The District is the sponsoring local educational agency for seven charter schools.

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 responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary government
  Chico Unified School District

Blended component units
  Chico Educators Health and Welfare Benefits Trust
  Chico Unified Schools Financing Corporation

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the GASB Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that the nature and significance of their relationship with the District is such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Blended Component Units Separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District's governing board or the component unit provides services entirely to the District. These component units' funds are blended into those of the District by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units Separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

Blended Component Units

The component units that are blended into the reporting activity of the District's report are as follows:

> Chico Educators Health and Welfare Benefits Trust (the Trust) is reported as an internal service fund. The Trust was formed for the sole purpose of providing health and welfare benefits for members of school bargaining units and is a tax-exempt entity under Internal Revenue Code Section 501(c)(9). The Trust currently funds a fixed number of retirees' Medicare supplement insurance.
>
> Chico Unified Schools Financing Corporation (the Corporation) is reported as a capital projects fund. The Corporation was formed for the sole purpose of financially assisting the District. The District has assumed a "moral obligation" and a potential legal obligation for any debt incurred by the Corporation.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity 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. An emphasis is placed on major funds within the governmental and proprietary categories. 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 fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of operating income, financial position, changes in net assets, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services, as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Charter Schools Fund is used to report separately the activities of Inspire School of Arts and Sciences.

2. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code,* Sections 38090-38093).

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).

2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code,* Sections 17620-17626).

3. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code,* Section 17070).

4. Special Reserve Fund is used to account for resources designated for capital outlay projects.

Debt Service Funds Funds that are established to account for the accumulation of resources for the payment of the principal and interest on long-term debt.

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code,* Sections 15125-15262).

2. Debt Service Fund is used for the accumulation of resources for the retirement of principal and interest on long-term debt.

Proprietary Funds

Internal Service Funds Funds that are used to account for services rendered on a cost-reimbursement basis. The District maintains one internal service fund, the Self-Insurance Fund, which is used to provide dental and vision benefits to its employees. This internal service fund is included in governmental activities for government-wide reporting purposes. The effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the fund are allocated to the appropriate functional activity.

Fiduciary Funds

Agency Funds Funds that are used to account for assets of others for whom the District acts as an agent. The District maintains agency funds for student body accounts.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds
- General Fund
- Building Fund
- Capital Facilities Fund
- County School Facilities Fund

Nonmajor Governmental Funds
- Charter Schools Fund
- Cafeteria Special Revenue Fund
- Special Reserve Capital Projects Fund
- Bond Interest and Redemption Fund
- Debt Service Fund

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

On the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

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.

In the fund financial statements, proprietary funds utilize an "economic resources" measurement focus.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency 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 60 days after year end. 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.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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 District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information.

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.

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 maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Butte County Treasury 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. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2012, the fair value of the County pool is 100.87% 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 decrease in the fair value of investments during the year ended June 30, 2012, was $452,833. 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, 2012, was $344,844.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2012. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated but has not received as of June 30, 2012. At June 30, 2012, no allowance for doubtful accounts was deemed necessary.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

Inventories and Prepaid Expenses

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation. Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Deferred Charges

On the government-wide financial statements, bond issuance and certificates of participation costs are deferred as prepaid expenses and amortized over the term of the bonds and certificates of participation using the straight-line method since the results are not significantly different from the effective interest method. In the governmental funds, these costs are reported as expenditures when the related liability is incurred.

Bond and Certificates of Participation Premium

On the government-wide financial statements, bond and certificates of participation premiums are deferred and amortized over the term of the bond and certificates of participation using the effective-interest method. Bond and certificates of participation premiums are presented as an increase of the face amount of the bonds payable and certificates of participation. In the governmental funds, these costs are reported as expenditures when the related liability is incurred.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of $10,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded. at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

School buildings	50
Portable classrooms	25
Site improvements	20-50
Equipment	5-20
Vehicles	8

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

Invested in Capital Assets – Net of Related Debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Assets: Consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

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, or the 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 that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts of 5% of General Fund expenditures and other financing uses, which is 2% more than the State's required minimum of 3%. If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board of Trustees shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

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.

Revenue Limit and Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

Butte County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes on the secured roll are due on December 10 and April 10 and become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

Property taxes are recorded as local revenue limit sources by the District. California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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

Governmental funds – by character

- Current (further classified by function)
- Debt service
- Capital outlay

Proprietary funds – by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2012:

	Maturities	**Fair Value**
DEPOSITS (1)		$ 2,834,975
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool (net of overdraft)	30.4 months average	40,128,463
Total Cash and Investments		42,963,438
Less: Agency fund cash and investments		862,007
Total Cash and Investments Per Government-Wide Statement of Net Assets (Net of Overdraft in County Treasury)		$ 42,101,431

(1) ***Deposits*** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

(2) ***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.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2012, $1,250,848 of the District's bank balance of $1,540,793 was exposed to custodial credit risk as follows:

	Bank Balance
Uninsured and uncollateralized	$ 1,250,848

Credit Risk – Investments

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 has no investment policy that would further limit its investment choices. The District's investment in the county investment pool is unrated.

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; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

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

> No more than 5% 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; 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 10% of the outstanding commercial paper of any single issuer may be purchased; 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 repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012, consists of the following:

	General Fund	Other Governmental Funds
Interest	$ 25,157	$ 12,695
Other	520,048	-
Total Accounts Receivable	$ 545,205	$ 12,695

4. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2012, consists of the following:

	General Fund	Other Governmental Funds
Due from federal government	$ 1,575,447	$ 410,280
Due from state government	19,825,234	244,049
Due from local governments	345,541	-
Total Due From Other Governments	$ 21,746,222	$ 654,329

5. INTERFUND TRANSACTIONS AND BALANCES

Interfund Receivables/Payables

Interfund receivable and payable balances in the fund financial statements are as follows:

Interfund Receivable	Interfund Payable	Amounts
Special Reserve Capital Projects	General	$ 44,034

The specific purposes of the interfund balances are as follows:

Special Reserve Capital Projects Fund interfund receivable from the General Fund for RDA funds deposited in the wrong fund.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

Transfer Out	Transfer In	Amounts
Capital Facilities	General	$ 29,646
Special Reserve Capital Projects	General	2,094,068
Self-Insurance	General	123
General	Charter Schools	172,952
Total		$ 2,296,789

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The specific purposes of the interfund transfers that do not occur on a routine basis are as follows:

Interfund transfer out of the Self-Insurance Fund to the General Fund to close fund.

Interfund transfer out of the General Fund to the Charter Schools Fund to open fund.

No transfers are inconsistent with the activities of the funds making the transfer.

6. CAPITAL ASSETS

Capital asset activity is as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
GOVERNMENTAL ACTIVITIES				
NONDEPRECIATED CAPITAL ASSETS				
Land	$ 11,785,001	$ 40,695	$ -	$ 11,825,696
Construction in progress	1,636,608	2,949,180	1,546,603	3,039,185
Total Nondepreciated Capital Assets	13,421,609	2,989,875	1,546,603	14,864,881
DEPRECIATED CAPITAL ASSETS				
Buildings	133,144,182	1,030,300	-	134,174,482
Site improvements	7,492,658	591,279	-	8,083,937
Equipment and vehicles	4,989,976	479,070	129,225	5,339,821
Total Depreciated Capital Assets	145,626,816	2,100,649	129,225	147,598,240
Total at Historical Cost	159,048,425	5,090,524	1,675,828	162,463,121
LESS: ACCUMULATED DEPRECIATION				
Buildings	55,296,049	3,414,471	-	58,710,520
Site improvements	5,032,731	261,863	-	5,294,594
Equipment and vehicles	3,958,756	240,991	124,511	4,075,236
Total Accumulated Depreciation	64,287,536	3,917,325	124,511	68,080,350
Total Depreciated Capital Assets - Net	81,339,280	(1,816,676)	4,714	79,517,890
Governmental Activities Capital Assets - Net	$ 94,760,889	$ 1,173,199	$ 1,551,317	$ 94,382,771

Depreciation expense was charged to governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
Instruction	$ 3,221,452
Instruction - related services	213,689
Pupil services	70,938
General administration	86,540
Plant services	324,706
Total Depreciation Expense - Governmental Activities	$ 3,917,325

7. ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consists of the following:

	General Fund	Building Fund	Capital Facilities Fund	Other Governmental Funds
Vendors	$ 345,538	$ 368,008	$ 18,863	$ 17,253
Salaries and benefits	1,984,581	-	-	47,011
Other	16,470	-	32	293
Total Accounts Payable	$ 2,346,589	$ 368,008	$ 18,895	$ 64,557

8. DUE TO OTHER GOVERNMENTS

Due to other governments at June 30, 2012, consists of the following:

	General Fund
Due to state government	$ 39,289
Due to local governments	504,377
Total Due To Other Governments	$ 543,666

9. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2011	Redeemed Current Year	Outstanding June 30, 2012
1998	5.00% to 9.00%	2018	$ 16,965,000	$ 7,520,000	$ 1,185,000	$ 6,335,000
1998	5.00% to 8.25%	2029	18,000,000	13,950,000	500,000	13,450,000
2008	4.00% to 5.75%	2033	30,725,000	30,725,000	-	30,725,000
Totals			$ 65,690,000	$ 52,195,000	$ 1,685,000	$ 50,510,000

The amount of interest cost incurred during the year ended June 30, 2012, was $2,390,254, all of which was charged to expenses.

The annual requirements to amortize the general obligation bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2013	$ 1,885,000	$ 2,339,663	$ 4,224,663
2014	2,110,000	2,240,769	4,350,769
2015	2,020,000	2,139,137	4,159,137
2016	2,270,000	2,036,762	4,306,762
2017	2,545,000	1,922,540	4,467,540
2018-2022	11,330,000	8,088,253	19,418,253
2023-2027	19,580,000	4,695,347	24,275,347
2028-2032	7,395,000	1,075,606	8,470,606
2033	1,375,000	31,797	1,406,797
Totals	$ 50,510,000	$ 24,569,874	$ 75,079,874

10. CAPITAL LEASES

The District leases equipment valued at $622,136 under agreements which provide for title to pass upon expiration of the lease period. The amount of interest cost incurred during the year ended June 30, 2012, was $23,675, all of which was charged to expenses. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2013	$ 47,667
2014	47,666
2015	47,667
2016	47,666
2017	47,666
2018-2022	238,333
2023-2026	165,688
Total	642,353
Less: Amount representing interest	173,420
Present Value of Net Minimum Lease Payments	$ 468,933

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

11. CERTIFICATES OF PARTICIPATION

In 2004, the District issued certificates of participation (COP) in the amount of $2,705,000, with interest rates ranging from 2% to 4%. As of June 30, 2012, the principal balance outstanding was $1,460,000. The amount of interest cost incurred during the year ended June 30, 2012, was $54,996, all of which was charged to expenses.

The certificates mature through 2018 as follows:

Year Ending June 30	Principal	Interest	Total
2013	$ 255,000	$ 47,252	$ 302,252
2014	270,000	38,585	308,585
2015	285,000	29,075	314,075
2016	300,000	18,650	318,650
2017	315,000	7,306	322,306
2018	35,000	700	35,700
Totals	$ 1,460,000	$ 141,568	$ 1,601,568

12. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Compensated absences	$ 447,088	$ 157,122	$ -	$ 604,210	$ -
General obligation bonds	52,195,000	-	1,685,000	50,510,000	1,885,000
Bond issuance premium	726,506	-	34,459	692,047	34,459
Capital leases	492,924	-	23,991	468,933	25,194
Certificates of participation	1,700,000	-	240,000	1,460,000	255,000
COPS issuance premium	(14,176)	-	-	(14,176)	-
Early retirement incentives	1,864,130	-	694,442	1,169,688	276,568
Totals	$ 57,411,472	$ 157,122	$ 2,677,892	$ 54,890,702	$ 2,476,221

13. FUND BALANCES COMPONENTS

Fund balances as of June 30, 2012, are composed of the following:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Other Governmental Funds
NONSPENDABLE					
Reserved for revolving cash	$ 25,000	$ -	$ -	$ -	$ -
Reserved for stores inventories	280,912	-	-	-	53,777
Reserved for prepaid expenditures	9,600	-	-	-	-
Total Nonspendable	$ 315,512	$ -	$ -	$ -	$ 53,777
RESTRICTED					
Restricted for capital projects	$ -	$ 15,371,122	$ 11,343,474	$ 8,125,089	$ -
Restricted for debt service	-	-	-	-	4,622,464
Restricted for federal and state categoricals	3,811,365	-	-	-	17,798
Total Restricted	$ 3,811,365	$ 15,371,122	$ 11,343,474	$ 8,125,089	$ 4,640,262
ASSIGNED					
Assigned for board reserve	$ 2,031,853	$ -	$ -	$ -	$ -
Assigned for program and school site carryover	423,032	-	-	-	-
Assigned for charter schools	-	-	-	-	423,051
Assigned for capital projects	-	-	-	-	1,308,352
Assigned for deferred maintenance	85,862	-	-	-	-
Total Assigned	$ 2,540,747	$ -	$ -	$ -	$ 1,731,403
UNASSIGNED					
Designated for economic uncertainties	$ 3,047,780	$ -	$ -	$ -	$ -
Unassigned	11,000,691	-	-	-	(43,200)
Total Unassigned	$ 14,048,471	$ -	$ -	$ -	$ (43,200)

14. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Butte Schools Self-Funded Program (BSSP), Northern California Schools Insurance Group (NCSIG), North Valley Schools Insurance Group (NVSIG), and Northern California ReLiEF (ReLiEF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

Construction Project Commitments

Construction project commitments as of June 30, 2012, are as follows:

Construction Project	**Remaining Construction Commitment**
CHS Inspire relocatable classrooms	$ 425,256
PVHS classroom	5,869
Total	$ 431,125

16. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

17. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System

Plan Description

The District contributes to CalSTRS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.00% of their salary. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were $4,021,188, $3,902,574, and $3,933,060, respectively, and equaled 100% of the required contributions for each year.

California Public Employees Retirement System

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2011-12 fiscal year was 10.923%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were $1,751,413, $1,710,757, and $1,539,128, respectively, and equaled 100% of the required contributions for each year.

18. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2011-12, pursuant to *California Education Code,* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District provides postemployment heath care benefits to qualifying employees through the Butte Schools Self funded Program (BSSP) JPA. Five medical/prescription drug options are available to active employees: the "Option I - Silver", "Red", "Blue", "Option II", and "HDHP A" plans. The District pays composite rates on behalf of active employees. Only the Blue plan is now available to District retirees. A two-tiered rate schedule applies to all retirees under age 65 (a composite rate for retiree plus spouse with or without Medicare A&B, and a second rate for retiree only).

Effective July 1, 2011, the District contributes the Blue plan rate (subject to proration for part-time service) based on the applicable tier for each retiree. District bargaining language currently indicates that for years beginning with 2012-13, the District cap will be based on the Red plan rates in effect as of the 2011-12 plan year plus 50% of any subsequent premium increases. Because the Red plan is no longer offered to retirees, this language will have to be clarified in future negotiations.

Employees from certificated, classified, and management units may retire with District-paid healthcare benefits after the later of age 55 and 5 years of service (10 years for certificated employees hired on or after October 1, 2009). Employees may retire between the ages of 50 and 55 and preserve their right to District-paid benefits beginning at age 55 by self-paying the medical premium between retirement and age 55.

District-paid benefits end at age 65 for all retirees with two exceptions: (a) a group of CUTA employees, who were hired prior to April 1, 1986, and who opted out of Medicare Part A, and (b) a retired District Superintendent receiving lifetime benefits.

Certificated employees hired prior to April 1, 1986, who do not have either Medicare Part A or Part B, or both, after reaching age 65 and retiring from the District, are eligible for a District reimbursement of up to 50% of retiree premiums for the purchase of Parts A and/or B, with the total District reimbursement not to exceed $2,400 in any one year period.

At June 30, 2012, 228 retirees met these eligibility requirements and an estimated 1,097 participants will be eligible in future years.

Funding Policy

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

Annual Other Postemployment Benefit (OPEB) Cost and Net Obligation

For the year ended June 30, 2012, the District's annual OPEB cost is calculated based on the annual required contribution for the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

Annual required contribution	$ 2,389,128
Interest on net OPEB deferred charge	(19,863)
Adjustment to annual required contribution	25,843
Annual OPEB Cost	2,395,108
Contributions	2,578,801
Change in Net OPEB Deferred Charge	(183,693)
Net OPEB Deferred Charge - Beginning of Year	(397,265)
Net OPEB Deferred Charge - End of Year	$ (580,958)

The District's annual OPEB cost (benefit), the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (deferred charge) for the year ended June 30, 2012, and the preceding two years were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation (Deferred Charge)
June 30, 2010	$ 2,416,309	$ 2,758,596	114.17%	$ 158,109
June 30, 2011	$ 2,421,460	$ 2,976,834	122.94%	$ (397,265)
June 30, 2012	$ 2,395,108	$ 2,578,801	107.67%	$ (580,958)

Funded Status and Funding Progress

The funded status of the plan as of the actuarial valuation dates below, was as follows:

	July 1, 2009	July 1, 2011
Actuarial accrued liability (AAL)	$ 21,053,366	$ 20,809,318
Actuarial value of plan assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 21,053,366	$ 20,809,318
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	$ 64,950,487	$ 67,324,776
UAAL as a Percentage of Covered Payroll	32.41%	30.91%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the District and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.00% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.00% initially, reduced by decrements to an ultimate rate of 5.00% after three years. Both rates include a 5.00% inflation assumption. The District's unfunded actuarial accrued liability is being amortized over an open period of 30 years. The remaining amortization period at June 30, 2012, was 29 years.

20. SUBSEQUENT EVENTS

Long-Term Debt – Refunding

On July 20, 2012, the District refunded $5,095,000 of the 1998 General Obligation Refunding Bonds and $12,925,000 of the 1998 Series A general obligation bonds with the Series 2012 general obligation refunding bonds. Resources totaling $18,516,524 were placed in an irrevocable trust for the purpose of generating resources for all future debt services payments 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 $2,310,308. As a result of the refunding, total debt service payments over the next 17 years will decrease by $2,766,841.

Bonded Debt

In November 2012, voters approved Measure E, a $78,000,000 general obligation bond authorization for the District. The proceeds will be used to improve student access to computers and modern technology, repair or replace leaky roofs and plumbing systems, and upgrade heating, ventilation, and cooling systems.

21. FUTURE GASB IMPLEMENTATION

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance. This statement will improve financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so they derive from a single source. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, to provide reporting guidance for deferred outflows and inflows of resources. The District's management has not yet determined the impact implementation of these standards, which is required on July 1, 2012, will have on the District's financial statements, if any.

Required Supplementary Information

Year Ended June 30, 2012	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 22,545,693	$ 20,945,488	$ 23,339,629	$ 2,394,141
State revenue	56,139,523	56,676,667	54,588,938	(2,087,729)
Federal revenue	7,781,304	12,606,096	13,794,299	1,188,203
Interest and investment earnings	107,076	107,076	7,076	(100,000)
Other local revenue	4,737,597	5,677,451	6,201,359	523,908
Total Revenues	91,311,193	96,012,778	97,931,301	1,918,523
EXPENDITURES				
Certificated salaries	45,319,165	45,330,424	47,697,859	(2,367,435)
Classified salaries	15,534,905	15,713,469	16,582,492	(869,023)
Employee benefits	25,259,442	25,319,295	24,192,251	1,127,044
Books and supplies	3,364,883	8,782,641	4,327,405	4,455,236
Services and other operating	5,536,398	5,408,026	7,717,827	(2,309,801)
Capital outlay	3,082	240,963	483,415	(242,452)
Other outgo	355,279	304,924	238,049	66,875
Debt service:				
Principal	912,985	912,985	886,013	26,972
Interest and other charges	134,711	134,711	151,091	(16,380)
Total Expenditures	96,420,850	102,147,438	102,276,402	(128,964)
Excess (Deficiency) of Revenues Over Expenditures	(5,109,657)	(6,134,660)	(4,345,101)	1,789,559
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	2,108,811	2,108,811	2,123,837	15,026
Interfund transfers out	(366,951)	-	(172,952)	(172,952)
Other sources	-	79,478	-	(79,478)
Total Other Financing Sources (Uses)	1,741,860	2,188,289	1,950,885	(237,404)
Net Change in Fund Balances	(3,367,797)	(3,946,371)	(2,394,216)	1,552,155
Fund Balances - Beginning of Year	23,110,311	23,110,311	23,110,311	-
Fund Balances - End of Year	$ 19,742,514	$ 19,163,940	$ 20,716,095	$ 1,552,155

See the accompanying notes to this budgetary comparison schedule.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts a budget for the General Fund of the District. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budget as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, expenditures exceeded appropriations by the following amounts:

	General Fund
Certificated salaries	$ 2,367,435
Classified salaries	$ 869,023
Services and other operating	$ 2,309,801
Capital outlay	$ 242,452
Debt service - interest and other charges	$ 16,380

These excess expenditures were funded by greater than anticipated revenues.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Chico Unified School District (the "District") in connection with the issuance of $15,000,000 of the District's Election of 2012 General Obligation Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated March 27, 2013. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Isom Advisors, a Division of Urban Futures, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the registered owner of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean E. J. De La Rosa & Co., or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2012-13 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repository to which it was provided.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(i) State funding received by the District for the last completed fiscal year;

(ii) average daily attendance of the District for the last completed fiscal year;

(iii) outstanding District indebtedness;

(iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(v) assessed value of taxable property in the District as shown on the recent equalized assessment role; and

(vi) property tax levies, collections and delinquencies for the District, for the prior fiscal year, to the extent the County of Butte no longer implements the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, for *ad valorem* tax levies within the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: May 30, 2013

CHICO UNIFIED SCHOOL DISTRICT

By: ____

Superintendent

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: CHICO UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2012 General Obligation Bonds, Series A

Date of Issuance: May 30, 2013

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

CHICO UNIFIED SCHOOL DISTRICT

By ____[form only; no signature required]

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APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF BUTTE AND THE CITY OF CHICO

The following information concerning the County of Butte (the "County") and the City of Chico (the "City") is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the County or the City.

General

County of Butte. The County of Butte is located 60 miles north of Sacramento in northern California. The County was incorporated in 1850, encompasses 1,639 square miles and is bordered by the Sacramento River on the west and the Sierra Nevada mountains on the east. The local economy has historically been strongly rooted in agriculture/ranching with some retail and service components. In recent years, the services, government and retail trade sectors dominated the County's total employment. The County of Butte is a charter county governed by a five-member Board of Supervisors with the county seat located at the city of Oroville.

City of Chico. The City of Chico is located in Butte, about 90 miles north of Sacramento, about 180 miles northeast of San Francisco and adjacent to the foothills of the northern Sierra Nevada. The City is the largest incorporated city in Butte and the center for commercial and business activity in the region. The City is home to California State University, Chico, Butte College and Bidwell Park, one of the largest municipal parks in the United States. Scheduled air transportation to San Francisco is available from the Chico Municipal Airport. Butte County Transit provides public transit service between the Chico and neighboring cities within the County.

Population

The following table summarizes population estimates for the County, City and State of California from 2001 through 2012.

POPULATION ESTIMATES
County of Butte, City of Chico and the State of California
2001-2012

Year[1]	County of Butte	City of Chico	State of California
2001	204,591	64,810	34,256,789
2002	206,942	66,481	34,725,516
2003	209,389	67,862	35,163,609
2004	211,419	70,322	35,570,847
2005	212,955	72,459	35,869,173
2006	214,690	77,348	36,116,202
2007	216,401	82,784	36,399,676
2008	217,801	85,034	36,704,375
2009	218,887	85,739	36,966,713
2010	219,967	86,136	37,223,900
2011	220,465	86,566	37,427,946
2012	221,273	87,500	37,678,563

(1) January 1 data.
Source: California State Department of Finance, Demographic Research Unit. March 2010 Benchmark.

Personal Income

The following tables summarize personal income and per capita personal income for the County, State of California and United States from 2005 through 2011.

PERSONAL INCOME
County of Butte, State of California, and United States
2005-2011

Year	County of Butte	California	United States
2005	$6,010,821	$1,387,661,013	$10,476,669,000
2006	6,479,108	1,495,533,388	11,256,516,000
2007	6,874,370	1,566,400,134	11,900,562,000
2008	7,092,108	1,610,697,843	12,380,225,000
2009	6,917,870	1,516,676,660	12,168,161,000
2010	7,155,660	1,564,209,194	12,353,577,000
2011	7,347,286	1,645,138,372	12,981,740,848

Note: Dollars in thousands.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[(1)]
County of Butte, State of California, and United States
2005-2011

Year	County of Butte	California	United States
2005	$27,990	$38,731	$35,452
2006	29,882	41,518	37,725
2007	31,611	43,211	39,506
2008	32,379	44,003	40,947
2009	31,267	41,034	38,637
2010	32,033	41,893	39,791
2011	33,356	43,647	41,560

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes labor force, employment and unemployment figures for the City, County and State from 2007 through 2012.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT[1]
City of Chico, County of Butte and the State of California
2007-2012

Year and Area	Labor Force	Employment	Unemployment[2]	Unemployment Rate (%)[3]
2007				
City of Chico	33,200	31,200	2,100	6.2%
County of Butte	101,400	94,600	6,800	6.7
California	17,921,000	16,960,700	960,300	5.4
2008				
City of Chico	--	--	--	--
County of Butte	103,000	94,300	8,600	8.4
California	18,203,100	16,890,000	1,313,100	7.2
2009				
City of Chico	--	--	--	--
County of Butte	103,900	90,800	13,100	12.6
California	18,208,300	16,144,500	2,063,900	11.3
2010				
City of Chico	--	--	--	--
County of Butte	103,600	89,200	14,400	13.9
California	18,316,400	16,051,500	2,264,900	12.4
2011				
City of Chico	33,200	29,000	4,200	12.7
County of Butte	101,700	87,900	13,800	13.6
California	18,384,900	16,226,600	2,158,300	11.7
2012				
City of Chico	33,300	29,500	3,800	11.4
County of Butte	102,100	89,600	12,500	12.2
California	18,494,900	16,560,300	1,934,500	10.5

(1) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
(2) Includes persons involved in labor-management trade disputes.
(3) Includes all persons without jobs who are actively seeking work.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2010 Benchmark.

Industry

The following table summarizes industry employment in the County from 2007 through 2011.

AVERAGE ANNUAL INDUSTRY EMPLOYMENT
Chico MSA (County of Butte)
2007-2011

Type of Employment	2007	2008	2009	2010	2011
Total Farm	2,600	2,800	2,700	2,800	2,600
Natural Resources, Mining & Construction	3,800	3,300	2,600	2,400	2,400
Manufacturing	4,200	4,000	3,500	3,500	3,600
Trade, Transportation & Utilities	14,200	13,600	12,900	12,700	12,400
Information	1,200	1,200	1,100	1,000	1,000
Financial Activities	4,200	4,400	4,400	3,100	3,000
Professional and Business Services	5,500	5,300	4,800	4,900	5,200
Education and Health Services	13,000	13,400	13,300	13,600	13,400
Leisure and Hospitality	8,000	7,900	7,300	7,100	7,000
Other Services	3,600	3,600	3,500	3,600	3,700
Government	18,500	18,200	17,300	16,900	15,700
Total, All Industries	78,900	77,700	73,300	71,600	70,000

Source: California Employment Development Department, Labor Market Information Division. March 2010 Benchmark.

Largest Employers

The following tables summarize the largest employers in the County and City.

LARGEST EMPLOYERS
County of Butte
2012

Employer	Employees	% of Total Employment
1. Enloe Medical Center	2,275	2.55%
2. County of Butte	2,154	2.42
3. California State University, Chico	1,834	2.06
4. Butte Glenn Community College	1,500	1.68
5. Chico Unified School District[1]	1,400	1.57
6. Pacific Coast Producers	1,250	1.40
7. Oroville Hospital	1,233	1.38
8. Feather River Hospital	1,160	1.30
9. Associated Students California	600	0.67
10. County of Butte Office of Education	600	0.67

[1] For updated information regarding the District's bargaining units, see "CHICO UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: County of Butte 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

LARGEST EMPLOYERS
City of Chico
2012

Employer	Employees	% of Total Employment
1. Enloe Medical Center	2,275	5.10%
2. California State University, Chico	1,825	4.09
3. Chico Unified School District(1)	1,400	3.14
4. Wal-Mart Stores Inc.	400	0.90
5. City of Chico	393	0.88
6. Sierra Nevada Brewery	325	0.73
7. Sun Gard Bi-Tech	200	0.45
8. Aero Union Corporation	175	0.39
9. Chico Enterprise Record	150	0.34
10. Smuckers	125	0.28

(1) For updated information regarding the District's bargaining units, see "CHICO UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: City of Chico 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

Commercial Activity

The following tables summarize taxable sales within the City and County for years 2007 through 2011.

TAXABLE SALES
City of Chico
2007-2011
(Dollars in Thousands)

Year	Retail and Food Permits	Retail and Food Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2007	1,402	$1,390,866	2,732	$1,630,482
2008	1,441	1,284,713	2,748	1,568,726
2009	1,756	1,126,317	2,567	1,367,715
2010	1,803	1,167,418	2,613	1,429,638
2011	1,806	1,226,229	2,594	1,502,415

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
County of Butte
2007-2011
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2007	2,892	$2,096,141	6,231	$2,778,076
2008	3,025	1,944,144	6,300	2,678,170
2009	3,982	1,711,587	5,840	2,348,900
2010	4,078	1,773,107	5,961	2,459,719
2011	4,081	1,873,517	5,917	2,588,112

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Building Activity

The following charts summarize building activity and valuations in the County and the City from 2007 through 2011.

BUILDING PERMITS AND VALUATIONS
County of Butte
2007-2011

	2007	2008	2009	2010	2011
Valuation ($000s)					
Residential	$139,222	$95,090	$73,163	$76,459	$57,889
Nonresidential	86,335	55,348	39,707	59,430	44,945
Total Valuation	$225,557	$150,438	$112,870	$135,891	$102,835
Units					
Single-Family	733	532	308	157	170
Multi-Family	198	60	54	350	89
Total:	931	592	362	507	259

Note: Totals may not add to sums due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Chico
2007-2011

	2007	2008	2009	2010	2011
Valuation ($000s)					
Residential	$63,726	$43,602	$35,497	$47,664	$23,102
Nonresidential	48,873	32,999	15,099	20,351	14,193
Total Valuation	$112,599	$76,602	$50,596	$68,016	$37,295
Units					
Single-Family	243	169	127	67	88
Multi-Family	124	58	54	350	38
Total:	367	227	181	417	3

Note: Totals may not add to sums due to rounding.
Source: Construction Industry Research Board.