



EUREKA CITY SCHOOLS
MEASURE T
GENERAL OBLIGATION BONDS

BUILDING FUND

COUNTY OF HUMBOLDT
EUREKA, CALIFORNIA

FINANCIAL AND PERFORMANCE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

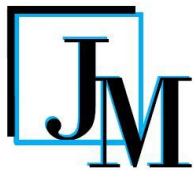
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EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Citizen's Oversight Committee
and Governing Board
Eureka City Schools
Eureka, California

Report on the Financial Statements

Opinions

We have audited the Balance Sheet of Eureka City Schools (the District), Measure T General Obligation Bonds Building Fund (the Fund), and the related statement of revenues, expenditures, and changes in fund balance as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the fund financial statements referred to above present fairly, in all material respects, the financial position of the Eureka City Schools Measure T General Obligation Bond Fund (the Fund) as of June 30, 2022 and the results of its operations the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

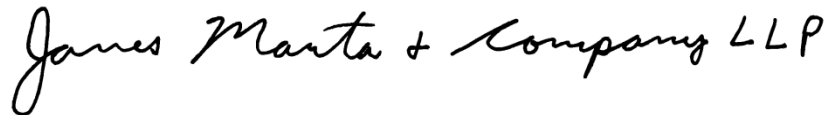
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The script is cursive and fluid, with the letters "J", "M", and "C" being particularly large and stylized.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 24, 2023

BASIC FINANCIAL STATEMENTS

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
BALANCE SHEET
JUNE 30, 2022

ASSETS

Cash and cash equivalents	\$ 17,790,000
Receivables	<u>10,386</u>
Total assets	<u><u>\$ 17,800,386</u></u>

**LIABILITIES AND
FUND BALANCES**

Liabilities	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
Fund balance	
Restricted for Bond Measure T Projects	<u>17,800,386</u>
Total fund balance	<u>17,800,386</u>
Total liabilities and fund balance	<u><u>\$ 17,800,386</u></u>

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

REVENUES

Other local revenues	\$ 10,386
Total revenues	<u>10,386</u>

OTHER FINANCING SOURCES (USES)

Other sources	<u>17,790,000</u>
Total other financing sources (uses)	<u>17,790,000</u>
Net change in fund balance	17,800,386
Fund balances, July 1, 2021	<u>-</u>
Fund balances, June 30, 2022	<u><u>\$ 17,800,386</u></u>

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The accounting policies of the Measure T General Obligation Bonds Building Fund (the Fund) of Eureka City Schools conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Eureka City Schools (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Governing Board elected by registered voters of the District, which comprises an area in Humboldt County. The District was established in 1908 and serves students in grades Transitional Kindergarten through twelve.

On March 2, 2022, the District issued Measure T, Series 2022 General Obligation Bonds (the "Bonds") in the aggregate principal amount of \$18,000,000 for the purpose of financing the acquisition, construction, modernization, and equipping of District sites and facilities and to pay the costs of issuance associated therewith. The Bonds represent the first and only series of bonds issued under the Authorization.

The Bonds were authorized at an election within the District held on March 3, 2020 (the "Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of \$18,000,000 aggregate principal amount of general obligation bonds of the District (the "Authorization"). Because the Bond required only 55% of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizen's bond oversight committee and to conduct a financial and performance audit.

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

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. REPORTING ENTITY (CONTINUED)

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

B. FUND ACCOUNTING

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

The proceeds from the sale of general obligation bonds and the subsequent expenditure of the bond funds are accounted for in the Building fund of the District. Any premium received from the sale of the bonds is deposited in the Bond Interest and Redemption Fund of the District.

C. ACCOUNTING POLICIES

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

E. BUDGETS AND BUDGETARY ACCOUNTING

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

F. ENCUMBRANCES

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

G. DEPOSITS AND INVESTMENTS

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

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

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

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. CAPITAL AND LONG-TERM DEBT (CONTINUED)

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the General Obligation Bond Building Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure T General Obligation Bond Building Fund are accounted for in the basic financial statements of the District.

I. FUND BALANCE – GOVERNMENTAL FUNDS

As of June 30, 2022, fund balances of the Measure T General Obligation Bond Building Fund are classified as restricted. Restricted funds can only be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

J. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 consist of \$17,790,000 cash in the county treasury.

A. Policies and Practices

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

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

2. CASH AND INVESTMENTS (CONTINUED)

B. Cash in County Treasury

County pool investments consist of District cash held by the Humboldt County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The County Treasurer has not posted the accrued interest for fiscal years 2020-21 and 2021-22 resulting in differences between the actual cash balances in the Humboldt County Treasury compared to the District-reported balances. The weighted average maturity of the pool is not determinable at this time. The pool is rated AAA by Standard and Poor's.

C. Investment Risks

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

EUREKA CITY SCHOOLS

MEASURE T GENERAL OBLIGATION BONDS

BUILDING FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

3. MEASURE T GENERAL OBLIGATION BONDS

The authorized issuance amount of the bonds is \$18,000,000. On March 2, 2022, the District issued Measure T General Obligation Bonds (the “Bonds”) in the aggregate principal amount of \$18,000,000 for the purpose of financing the acquisition, construction, modernization, and equipping of District sites and facilities and to pay the costs of issuance associated therewith. See table below of how the proceeds of the bonds were applied.

Sources of Funds

Principal Amount of Bonds	\$ 18,000,000
Net Original Issue Premium	2,111,531
Total Sources	<u>\$ 20,111,531</u>

Uses of Funds

Deposited to Building Fund	\$ 17,790,000
Deposited to Debt Service Fund	1,970,421
Cost of Issuance	351,110
Total Uses	<u>\$ 20,111,531</u>

The bonds carry interest rates ranging from 3.0% to 4.0% and mature through August 1, 2049. The Bonds are payable from the proceeds of *ad valorem* property taxes which the Board of Supervisors of Humboldt County are obligated to levy and collect on all taxable property in the District for the payment of principal and interest on the Bonds when due.

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

4. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022, the Building Fund have no commitments.

5. SUBSEQUENT EVENTS

District management evaluated its June 30, 2022 financial statements for subsequent events through March 24, 2023, the date these financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

EUREKA CITY SCHOOLS
MEASURE T GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

The following is the full proposition presented to the voters by the Eureka City Schools.

“Eureka City Schools High School Emergency Repair/Student Safety Measure. To repair unsafe school buildings, storm drains, fields and facilities; improve campus, student and teacher safety/disabled accessibility; acquire, construct, repair sites, equipment/high school/continuing education facilities; qualify for emergency State matching funds, shall Eureka City Schools’ measure authorizing \$18,000,000 in bonds at legal rates, levying \$17/\$100,000 assessed value (\$1,100,000 annually) while bonds are outstanding, be adopted, requiring annual independent audits, citizens’ oversight and all funds spent locally?”

PROJECT LIST

The Board of Education of the Eureka City Schools is committed to retaining and attracting quality teachers in local schools by providing safe, secure, upgraded facilities. To that end, the Board evaluated the imminent danger to students’ health and safety caused by the failure of a storm drain system and its consequential facility damages, as well as safety issues, class size reduction, basic repairs, computer and information technology in developing the types of projects to be funded by this measure as described below. The District conducted an independent structural engineering study as well as had an assessment performed by the Public Works Department of the City of Eureka of the repairs required by the failure of the storm drainage pipelines. The Board has prioritized key health and safety needs so that the most critical repairs are addressed.

In approving this Project List, the Board of Education determines that the District must:

- (i) Repair sections of Eureka High School which present life/hazard and imminent health and safety risks to teachers, students and staff, families and members of the public; and
- (ii) Improve accessibility to the Eureka High School campus for disabled persons; and
- (iii) Prevent dangerous sinkholes which create imminent health and safety risks to students and high school teachers and staff; and
- (iv) Upgrade facilities to meet current seismic safety standards; and
- (v) Apply for emergency State matching funds to offset the costs of stadium repairs; and
- (vi) Adhere to specific fiscal accountability safeguards:
 - (a) All expenditures subject to annual independent financial audits.
 - (b) No money taken by the State. All funds stay local.
 - (c) All expenditures reviewed by an independent citizen oversight committee to ensure that funds are spent only as authorized.

The Project List includes the following types of upgrades and improvements at District schools, facilities and sites:

IMPROVE STUDENT HEALTH AND SAFETY
Emergency School Repair Projects Funded By Money That Cannot Be Taken By Sacramento

Goals and Purposes: Portions of the Eureka High School campus have been compromised by the failure of the District’s storm drainage infrastructure, creating dangerous sink holes, denying safe access to facilities by persons with disabilities, and undermining the safety of hillside and adjacent facilities. This measure will correct present life/hazard and imminent health and safety risks to students and staff.

EUREKA CITY SCHOOLS

MEASURE T GENERAL OBLIGATION BONDS

FULL TEXT OF BOND MEASURE

This measure will restore certain fields for student use, allowing Eureka High School to provide physical education programs which help students stay out of trouble, focus, perform well in school, and stay away from gangs and drugs.

This measure will permit Eureka High School to be used effectively as an emergency evacuation site as California experiences more volatile wildfires and unpredictable PG&E outages.

- Repair and upgrade failed storm drainage system.
- Fill sinkholes for student safety and prevent future sinkholes from developing.
- Improve access to school facilities for students with disabilities.
- Install new lighting for student safety.
- Repair fields, track and ancillary buildings damaged by the storm drain failure.
- Replace deteriorating pipes.
- Restore and upgrade career technical training facilities.
- Improve facilities to meet current seismic safety standards.

In addition to the projects listed above, the repair and renovation of existing school facilities may include, but not be limited to, some or all of the following: add or renovate restrooms; repair and replace electrical, plumbing, heating, ventilation and air conditioning systems; upgrade of facilities for energy efficiencies; repair and replace worn-out and deteriorated roofs, windows, walls, floors, doors and drinking fountains; upgrade wiring and electrical systems; upgrade or construct classroom and support facilities including physical education, career technical training facilities, buildings, swing space; repair and replace fire alarms, emergency communications and security systems; improve facilities to satisfy ADA requirements; resurface or replace asphalt, broken concrete, concrete flatwork, and improve hard courts, turf, track and fields, and storm water collection, irrigation and drainage systems and campus landscaping; install signage, improve pathways and fencing; expand parking and drop-off areas; improve all site utilities; acquire land; upgrade or replace interior and exterior painting, floor covering (including carpets), portable classrooms and school facades; demolition; upgrade food service areas, and school cafeterias; construct various forms of storage and support spaces; repair, upgrade and install interior and exterior lighting systems; construct, acquire or improve playgrounds, play structures, athletic fields, stadiums, bleachers, concession areas, tracks and facilities to support student health, fitness and safety, lockers, and other facilities serving District students; replace outdated security fences and security systems (including access control systems), add or upgrade parking lots, including accessible stalls. In addition to the listed projects stated above, the Project List also includes the acquisition of a variety of instructional, maintenance and operational equipment, including and interim funding incurred to advance fund projects from the Project List; payment of the costs of preparation of all facility planning, facility studies, assessment reviews, facility master plan preparation and updates, environmental studies (including environmental investigation, remediation and monitoring), design and construction documentation, and temporary housing of dislocated District activities caused by construction projects. The upgrading of technology infrastructure includes, but is not limited to, network rewiring, cabling, computers, mobile interface devices, data centers, switches, routers, modules, and sound projection systems, wireless technology systems, acquire miscellaneous IT and instructional equipment. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans and construction documents are finalized, construction bids are received, construction contracts are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be completed. Demolition of portable classrooms and existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating more enhanced and

EUREKA CITY SCHOOLS

MEASURE T GENERAL OBLIGATION BONDS

FULL TEXT OF BOND MEASURE

operationally efficient campuses. Necessary on-site and off-site improvements, site preparation and restoration may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation or drainage systems, traffic signals, sewer or utility lines, trees and landscaping, relocating fire access roads, road widening, and acquiring any necessary easements, licenses, permits or rights of way to the property. The listed projects will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, legal fees and similar planning costs, connection fees, permit fees, program/project management, staff training expenses and a customary contingency for unforeseen design and construction costs. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to bond projects. Bond proceeds shall only be expended for the types of projects and purposes identified herein. The District shall create an account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

Fiscal Accountability: This measure requires a clear system of accountability, including a project list detailing how the money will be used, a citizen's oversight committee, and independent audits to ensure money is spent properly.

In accordance with Education Code Section 15272, the Board of Education will appoint a citizens' oversight committee and conduct annual independent audits to assure that funds are spent only on district projects and for no other purpose. The expenditure of bond money on these projects is subject to stringent financial accountability requirements. By law, performance and financial audits will be performed annually, and all bond expenditures will be monitored by an independent citizens' oversight committee to ensure that funds are spent as promised and specified. The citizens' oversight committee must include, among others, representation of a bona fide taxpayers association, a business organization and a senior citizens organization. No district employees or vendors are allowed to serve on the citizens' oversight committee.

No Administrator Salaries: proceeds from the sale of the bonds authorized by this proposition shall be used only for the acquisition, construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and not for any other purpose, including teacher and school administrator salaries and other operating expenses.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

INDEPENDENT AUDITOR'S REPORT

Citizen's Oversight Committee
and Governing Board
Eureka City Schools
Eureka, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund financial statements of the Measure T General Obligation Bonds Building Fund of Eureka City Schools (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Measure T General Obligation Bonds Building Fund financial statements, and have issued our report thereon dated March 24, 2023.

Internal Control Over Financial Reporting

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

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

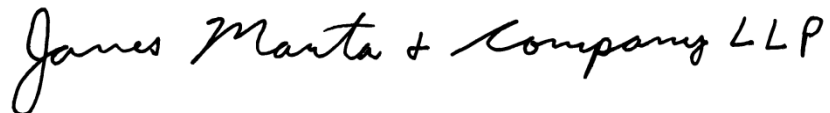
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

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

Purpose of this Report

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

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

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 24, 2023



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT
ON MEASURE T BOND PERFORMANCE**

Citizen's Oversight Committee
and Governing Board Measure T
General Obligation Bonds Building Fund
Eureka City Schools
Eureka, California

We have audited the performance audit of the Measure T General Obligation Bonds Building Fund of the Eureka City Schools (the "District") as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated March 24, 2023. Our audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Management's Responsibility

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

Our responsibility is to determine that the District complied with the Measure T General Obligation Bonds in accordance with Appendix A of the 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

We conducted our audit of performance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Appendix A of the 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objects. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of the procedures performed indicate that the District complied with the requirements identified in Appendix A of the K-12 Local Education Agencies and State Compliance Reporting for the Measure T General Obligation Bond funds for the year ended June 30, 2022.

Objectives

The objectives of our performance audit was to determine that the District expended the Measure T General Obligation Bond funds for the year ended June 30, 2022 only for purposes approved by voters and only for specific projects adopted by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C.

Scope of the Audit

The scope of our performance audit covered the fiscal year ended June 30, 2022. The expenditures included all account and project codes associated with the bond projects. Expenditures before July 1, 2021 and after June 30, 2022 were not reviewed as they were not within the scope of our audit.

Methodology

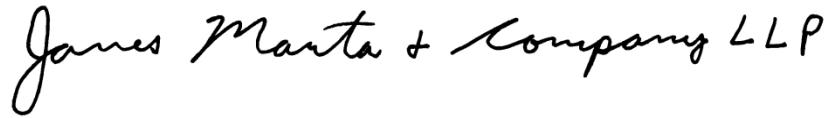
1. We obtained the general ledger for the fiscal year ended June 30, 2022.
2. We selected expenditures to ensure compliance with Proposition 39 and Measure T General Obligation Bond funding.
3. We verified the mathematical accuracy of the expenditures included in the Measure T General Obligation Bond Fund detailed general ledger for the fiscal year ended June 30, 2022.
4. We verified that the funds were generally expended for the construction, renovation, furnishing and equipping of school facilities constituting authorized bond projects.
5. Solely to assist us in planning and completing our performance audit, we obtained an understanding of the internal controls of the District.
6. We selected a sample of bond expenditures and performed the following:
 - a. Reviewed the invoices, contracts, warrant copies and other supporting documents to verify the funds were spent in accordance with list of projects defined in the full Measure T bond text.
 - b. For any expenditures that were subject to the bid process, we reviewed supporting documentation to verify that all applicable bid process requirements were satisfied.
 - c. We verified that any change orders for the selected projects were approved by the Board of Trustees.
7. We verified that funds used to pay the salaries of district employees were allowable per opinion 04-110 issued November 9, 2004 by the State of California Attorney General.

Conclusion

Based on the procedures performed, we found that the Eureka City Schools has properly accounted for the expenditures of Measure T General Obligation Bond Fund. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The script is fluid and cursive, with the letters "J", "M", and "C" being particularly large and stylized.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 24, 2023