



EUREKA CITY SCHOOLS

**MEASURE S
GENERAL OBLIGATION BONDS
SERIES 2015
BUILDING FUND**

**COUNTY OF HUMBOLDT
EUREKA, CALIFORNIA**

FINANCIAL AND PERFORMANCE AUDIT

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

**JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS**

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EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balance	4
Notes to the Financial Statements	5
SUPPLEMENTAL INFORMATION	
Full Text of Bond Measure S	12
OTHER INDEPENDENT AUDITOR'S REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Series 2015 Measure S Bond Performance	17



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

We have audited the accompanying Balance Sheet of Eureka City Schools (the District), Measure S General Obligation Bonds Series 2015 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, 2020, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

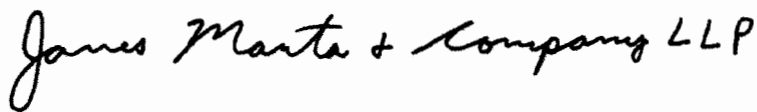
In our opinion, the fund financial statements referred to above present fairly, in all material respects, the financial position of the Eureka City Schools Measure S General Obligation Bonds Series 2015 Building Fund as of June 30, 2020 and the results of its operations the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements referred to above present only the individual Measure S General Obligation Bonds Series 2015 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 December 9, 2020 on our consideration of the fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

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

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2020

BASIC FINANCIAL STATEMENTS

EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
BALANCE SHEET
JUNE 30, 2020

ASSETS

Cash and investments	\$ 9,055,553
Receivables	<u>85,412</u>
Total assets	<u><u>\$ 9,140,965</u></u>

**LIABILITIES AND
FUND BALANCES**

Liabilities	
Accounts payable	<u>\$ 649,046</u>
Total liabilities	<u>649,046</u>
Fund balance	
Restricted for Measure S Bond Projects	<u>8,491,919</u>
Total fund balance	<u>8,491,919</u>
Total liabilities and fund balance	<u><u>\$ 9,140,965</u></u>

EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

REVENUES

Other local revenues	\$ 198,756
Total revenues	<u>198,756</u>

EXPENDITURES

Classified salaries	121,820
Employee benefits	13,868
Books and supplies	55,615
Contract services and operating expenditures	10,730
Capital outlay	<u>5,679,764</u>
Total expenditures	<u>5,881,797</u>

Net change in fund balance	(5,683,041)
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Fund balances, July 1, 2019	<u>14,174,960</u>
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Fund balances, June 30, 2020	<u><u>\$ 8,491,919</u></u>
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EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The accounting policies of the Measure S General Obligation Bonds Series 2015 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 August 27, 2015, the District issued Measure S Series 2015 General Obligation Bonds (the "Bonds") in the aggregate principal amount of \$25,000,000 for the purpose of financing improvements to facilities and educational technology in the District's facilities and to pay certain costs of issuance associated therewith. The Bonds represent the first series of bonds issued under the Authorization. Subsequently, the District has \$24,750,000 in authorized but unissued bonds.

The Bonds were authorized at an election within the District held on November 4, 2014 (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 \$49,750,000 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 and advising the District's Governing Board on various projects. The citizens' oversight committee must include, among others, representation of a bona fide taxpayers association, a business organization and a senior citizens organization. No district employees or vendors are allowed to serve on the citizens' oversight committee.

The fund financial statements presented are for the Measure S General Obligation Bonds Series 2015 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 S General Obligation Bond Building Fund activities, related debt and disclosures as well as the management discussion and analysis.

EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. FUND ACCOUNTING

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

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

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.

EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

E. BUDGETS AND BUDGETARY ACCOUNTING

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

F. ENCUMBRANCES

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

G. DEPOSITS AND INVESTMENTS

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

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

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

H. CAPITAL AND LONG-TERM DEBT

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

EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

H. CAPITAL AND LONG-TERM DEBT (CONTINUED)

The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure S 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, 2020, fund balances of the Measure S 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, 2020 consist of \$9,055,553 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 S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 third and fourth quarter accrued interest for fiscal year 2019-2020 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 S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

3. MEASURE S GENERAL OBLIGATION BONDS SERIES 2015

The authorized issuance amount of the bonds is \$49,750,000. On August 27, 2015, the District issued Measure S Series 2015 General Obligation Bonds (the "Bonds") in the aggregate principal amount of \$25,000,000 for the purpose of financing the improvements to facilities and educational technology in the District's facilities and to pay costs of issuance of the Bonds. See table below of how the proceeds of the bonds were applied.

Series 2015

The proceeds of the Bonds were applied as follows:

Sources of Funds

Principal Amount of Bonds	\$ 25,000,000
Net Original Issue Premium	854,246
Total Sources	<u>\$ 25,854,246</u>

Uses of Funds

Deposited to Building Fund	\$ 24,665,000
Deposited to Debt Service Fund	762,110
Cost of Issuance	427,136
	<u>\$ 25,854,246</u>

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. The bonds carry interest rates ranging from 2.0% to 5.0% and mature through August 1, 2045.

EUREKA CITY SCHOOLS
MEASURE S GENERAL OBLIGATION BONDS SERIES 2015
BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

4. COMMITMENTS AND CONTINGENCIES

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

Project Name	Initial Committed Balance	Expenditures to Date	Committed Balance at June 30, 2020
AB Office	\$ 865,000	\$ 1,540	\$ 863,460
EHS Gym	15,000,000	834,265	14,165,735
	<u>\$ 15,865,000</u>	<u>\$ 835,805</u>	<u>\$ 15,029,195</u>

5. SUBSEQUENT EVENTS

District management evaluated its June 30, 2020 financial statements for subsequent events through December 9, 2020, 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 S GENERAL OBLIGATION BONDS SERIES 2015

FULL TEXT OF BOND MEASURE

THE EUREKA CITY SCHOOLS CLASSROOM REPAIR, TECHNOLOGY, & JOB TRAINING BOND MEASURE

Upon the passage of Measure S, Eureka City Schools shall be authorized to issue bonds in the aggregate amount of \$49.75 million, bearing interest at rates not exceeding the statutory limit, for the purpose of funding the following school facilities projects:

Classroom Repair, Technology and Job Training for Eureka City Schools

Goal and Purpose: To upgrade every school site and help improve education by: upgrading career/job training classrooms; investing in technology/science labs; repairing aging classrooms; qualifying local schools for matching state funds; and constructing/acquiring facilities, classrooms, sites and equipment.

Classroom and Facility Repair:

- Upgrade fire alarm systems and fire sprinkler systems to meet current codes
- Replace/upgrade existing security systems
- Correct earthquake safety deficiencies where found to be necessary
- Repair, replace and expand fencing, doors, locks, exterior lighting and other barriers to provide increased security for students and staff
- Upgrade emergency communication systems, including warning and public address systems
- Improve, expand or construct safer student pick-up and drop off areas
- Repair and/or replace outdated heating and ventilation systems
- Repair and/or replace drainage, sewer, gas, electrical, irrigation and water systems
- Repair and/or replace leaking roofs, gutters and downspouts
- Repair, renovate, upgrade, improve build and/or replace pavement, sidewalks, outdoor structures, fields, facilities and landscape areas at physical education facilities, sports and athletic facilities, playfields and playgrounds
- Repair and/or replace deteriorated walls, ceilings, doors, windows, cabinets, interior and exterior building finishes
- Repair, renovate or improve site restroom facilities
- Construct classrooms, restrooms, nurses offices, staff work areas at existing sites and furnish and equip such buildings
- Repair, upgrade or reconfigure site grounds and facilities to accommodate projects on this project list
- Construct access improvements for disabled persons, as required by state and federal law
- Carry out necessary deferred maintenance projects
- Repair, add and/or replace school activity signage
- Repair, add and/or replace school furniture and equipment
- Replace aging portable classroom buildings, and furnish and equip such buildings
- Abate and demolish any school buildings that are deemed unsafe and/or not fit for modernization
- Install energy efficient mechanical, electrical and lighting systems
- Replace and/or improve single-paned windows
- Install power generation equipment to reduce energy/utility costs
- Improve insulation, weatherproofing and roofs
- Implement water conservation systems
- Improve, modernize, expand or construct multi-use buildings, including kitchen facilities and central kitchen

EUREKA CITY SCHOOLS

MEASURE S GENERAL OBLIGATION BONDS SERIES 2015

FULL TEXT OF BOND MEASURE

Upgrade career/job training classrooms in our middle and high school campuses allowing us to improve instructional methods, and integrate modern technology:

- Repair and/or replace deteriorated walls, ceilings, doors, windows, cabinets, interior and exterior building finishes
- Repair and/or replace leaking roofs, gutters and downspouts
- Replace aging portable classroom buildings, and furnish and equip such buildings
- Repair, replace or purchase new shop and classroom furniture and equipment
- Install energy efficient mechanical, electrical and lighting systems
- Replace and/or improve single-paned windows

Integrate modern technology into daily student learning to improve current instructional methods:

- Provide and maintain upgraded technology, data and communication equipment
- Upgrade and expand wireless systems, telecommunications, internet and network connections
- Upgrade and replace computers, hardware and software systems
- Install updated wiring and infrastructure to accommodate modern technology

The listed projects will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, surveys, construction management, relocation assistance, staff training expenses and customary contingency and escalation for unforeseen design and construction costs. In addition to the listed projects, the project list also includes the payment of the costs of preparation of all facility planning, permit fees, and temporary housing of dislocated District activities caused by bond projects. The upgrading of technology infrastructure includes, but is not limited to, computers, LCD projectors, printers, portable interface devices, servers, switches, routers, modules, sound projection systems, digital whiteboards, document projectors, upgrade VOIP, call manager and network security/firewall and other miscellaneous equipment and software.

The District Board of Trustees certifies that it has evaluated safety, class size reduction, and information technology needs in developing this list.

The bond proceeds will be used only for the purposes specified in Article XIII A, section 1(b)(3) of the California Constitution, and not for any other purposes, including teacher and administrator salaries and other school operating expenses.

Approval of the bond measure does not guarantee that the school facility projects proposed for construction will be funded beyond the local revenues generated by the measure. Certain of the District's proposed projects assume the receipt of matching State funds, which could be subject to appropriation by the State Legislature or approval of a statewide bond measure. Reduction in state funds may result in a subsequent reduction in funding of projects provided for herein.

EUREKA CITY SCHOOLS

**MEASURE S GENERAL OBLIGATION BONDS
SERIES 2015**

FULL TEXT OF BOND MEASURE

The District Board of Trustees will conduct an annual independent performance audit to ensure that the bond funds have been expended only on the specific projects authorized. The District Board of Trustees will also conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been expended for the above-stated school facilities projects. The District will deposit the proceeds of the bonds in a separate account. The District's chief business official shall issue an annual report to the Board of Trustees, which shall contain the amount of funds collected and expended as well as the status of the above-stated school facilities projects.

Additionally, the District Board of Trustees shall appoint a citizen's oversight committee. The membership requirements and procedures for such committee shall be established by the Board of Trustees in accordance with the requirements of law.

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 S General Obligation Bonds Series 2015 Building Fund of Eureka City Schools (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Measure S General Obligation Bonds Series 2015 Building Fund financial statements, and have issued our report thereon dated December 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure S General Obligation Bond Series 2015 Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Measure S General Obligation Bond Series 2015 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.

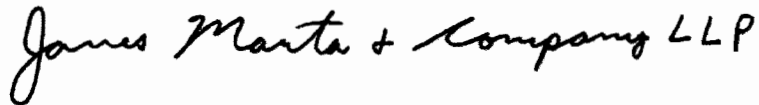
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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 S General Obligation Bond Series 2015 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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
December 9, 2020



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Citizen's Oversight Committee
and Governing Board Measure S
General Obligation Bonds Building Fund
Eureka City Schools
Eureka, California

We have audited the performance audit of the 2015 Measure S General Obligation Bonds Building Fund of the Eureka City Schools (the "District") as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated December 9, 2020. 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 2015 Measure S General Obligation Bonds in accordance with Appendix A of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

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

The results of the procedures performed indicate that the District complied with the requirements identified in Appendix A of the K-12 Local Education Agencies and State Compliance Reporting for the 2015 Measure S General Obligation Bond funds for the year ended June 30, 2020.

Objectives

The objectives of our performance audit was to determine that the District expended the 2015 Measure S General Obligation Bond funds for the year ended June 30, 2020 only for purposes approved by voters and only for specific projects adopted by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C.

Scope of the Audit

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

Methodology

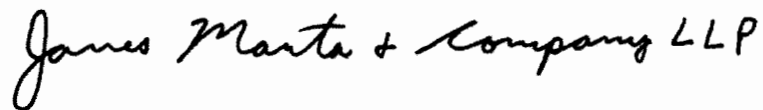
1. We obtained the general ledger for the fiscal year ended June 30, 2020.
2. We selected expenditures to ensure compliance with Proposition 39 and 2015 Measure S General Obligation Bond funding.
3. We verified the mathematical accuracy of the expenditures included in the 2015 Measure S General Obligation Bond Fund detailed general ledger for the fiscal year ended June 30, 2020.
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 S 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 2015 Measure S 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 cursive and fluid, with the letters "J", "M", and "C" being particularly large and stylized.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2020