

Eureka City Schools Citizens' Oversight Committee
2100 J Street, Eureka, CA 95501

REGULAR MEETING

4:00 P.M.

February 12, 2025

AGENDA

- A. CALL TO ORDER OF REGULAR MEETING
- B. PUBLIC COMMENT ON NONAGENDA ITEMS
- C. CONSENT
 - 1. Minutes of the Regular Meeting of November 12, 2024
- D. DISCUSSION / ACTION
- E. DISCUSSION
 - 2. Receive and Review 2023-24 Measure S and Measure T Performance and Financial Bond Audit
 - a) *Presented by Eide Bailly, LLC*
 - 3. Financial Update: Review Expenditure Reports
 - Measure S
 - Measure T
 - 4. Projects Update
 - Measure S
 - Measure T
 - 5. Community Conversations
 - 6. Next Meeting Dates: May 14, 2025 (confirmed); August 20, 2025 (proposed)
 - 7. Topics for Next Agenda
- F. ADJOURNMENT

NOT OFFICIAL UNTIL APPROVED ON February 12, 2025

Eureka City Schools Citizens' Oversight Committee

2100 J Street, Eureka, CA 95501

REGULAR MEETING

4:00 PM

November 12, 2024

MINUTES

A. CALL TO ORDER OF OPEN SESSION

Chair Denise Jones called the regular meeting to order at 4:08 p.m.

Members Present: Denise Jones, Bert Campton, Wendy Harper, Shalise Miles, Syn-dee Noel, Becky Reece, Lucky Syphanthong

Members Absent: None

Staff Present: Paul Ziegler, Charley Batini, Mario da Costa, Jen Snipes

B. PUBLIC COMMENT ON NONAGENDA ITEMS

There were no public comments on nonagenda items.

C. CONSENT

1. Minutes of the Regular Meeting of August 21, 2024

M/S Reece/Campton. All in favor. Motion carries.

D. DISCUSSION/ACTION

There were no discussion/action items.

E. DISCUSSION

2. Financial Update: Review Expenditure Reports

Mario da Costa gave an update of expenditures to the committee.

- *Measure S*

Science Building Project:

Almost all of the expenditures were to our architect who billed the science building change order invoices all at one time.

Mario explained that technically we are out of Measure S funds.

Gymnasium Project:

There was not much activity due to continued scheduling issues with the contractor.

- *Measure T*

We have made substantial progress on the project and have expended \$3.7 million so far.

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3. Projects Update

Charley Batini reported out on projects in progress.

- *Measure S*

EHS Science Building:

The contractor is still working on some minor issues, warranties, etc. We are close to getting everything worked out so we can close the project.

Charley is pleased with the results.

EHS Gym:

Charley explained to the committee that the gymnasium project is a four-phase project and that not one phase has been completed.

- Phase I: punch list is not complete
- Phase II: close to done but there is still some asbestos piping left to remove
- Phase III: demolition of the old gym and disposal of the lead painted concrete debris has been a near one year delay. The contractor wanted to recycle the lead painted materials. The District feels it was directed in the contract that the material could not be recycled with lead paint on it and that is how the other contractors bid on the project. The material is now in a landfill in Anderson, CA that takes hazardous materials but the contractor insists we owe them money.
- Phase IV: about to begin

- *Measure T*

Charley is please with the progress. The main storm drain is in, beating the milestone deadline. The snackbar/restroom building is standing and the fieldhouse slab is down.

The excess dirt from digging the main storm drain line is being stored at Jacobs. The dirt was tested prior to moving it and was sampled again by our geotechnical engineer. The dirt may come back to EHS if needed or all, or the remainder, could be used to level the field at Jacobs.

The light poles have been paused due to weather.

4. Community Conversations

There were no community conversations to report.

5. Next Meeting Dates:

February 12, 2025 and May 14, 2025 were confirmed by the COC as the next meeting dates.

6. Topics for Next Agenda

No additional topics were stated by the members

F. ADJOURNMENT

Chair Jones adjourned the meeting at 4:52 p.m.

NOT OFFICIAL UNTIL APPROVED ON February 12, 2025

Respectfully submitted,

Paul Ziegler
Assistant Superintendent / Business Services

Recording Secretary, Jen Snipes

CHAIR OF THE COMMITTEE

DATE



Financial and Performance Audits
Building Fund (Measure S and Measure T)
June 30, 2024

Eureka City Schools

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Financial Audit
Building Fund (Measure S and T)
June 30, 2024
Eureka City Schools



DRAFT 02/07/2025

Independent Auditor's Report

To the Governing Board and Citizens' Oversight Committee
Eureka City Schools
Eureka, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Building Fund (Measure S and T) of Eureka City Schools (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure S and Measure T) of Eureka City Schools, as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (*Government Auditing Standards*). 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Building Fund (Measure S and Measure T), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2024, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Correction of Error

As discussed in Note 7 to the financial statements, an error resulting in misstatement of amounts previously reported for receivables as of June 30, 2023, was discovered by management of the District during the current year. Accordingly, a restatement has been made to the fund balance of the Building Fund (Measure S and Measure T) as of July 1, 2023, to correct this error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [REPORT DATE] on our consideration of the Building Fund (Measure S and Measure T) of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Building Fund (Measure S and Measure T) of the District's 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 Building Fund (Measure S and Measure T) of the District's internal control over financial reporting and compliance.

Rancho Cucamonga, California
[REPORT DATE]

Eureka City Schools
 Building Fund (Measure S and Measure T)
 Balance Sheet
 June 30, 2024

	Measure T	Measure S	Total
Assets			
Investments	\$ 14,095,649	\$ 1,857,895	\$ 15,953,544
Receivables	113,594	-	113,594
Due from other funds	-	205,571	205,571
Total assets	<u>\$ 14,209,243</u>	<u>\$ 2,063,466</u>	<u>\$ 16,272,709</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ -	\$ 2,009,740	\$ 2,009,740
Due to other funds	205,571	-	205,571
Total liabilities	<u>205,571</u>	<u>2,009,740</u>	<u>2,215,311</u>
Fund Balance			
Restricted for capital projects	<u>14,003,672</u>	<u>53,726</u>	<u>14,057,398</u>
Total liabilities and fund balance	<u>\$ 14,209,243</u>	<u>\$ 2,063,466</u>	<u>\$ 16,272,709</u>

Eureka City Schools
Building Fund (Measure S and Measure T)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended June 30, 2024

	Measure T	Measure S	Total
Revenues			
Investment income	\$ 890,582	\$ 102,854	\$ 993,436
All other local revenue	-	29,136	29,136
Total revenues	<u>890,582</u>	<u>131,990</u>	<u>1,022,572</u>
Expenditures			
Materials and supplies	-	1,985	1,985
Capital outlay	4,131,312	4,101,505	8,232,817
Total expenditures	<u>4,131,312</u>	<u>4,103,490</u>	<u>8,234,802</u>
Deficiency of Revenues over Expenditures	<u>(3,240,730)</u>	<u>(3,971,500)</u>	<u>(7,212,230)</u>
Other Financing Sources (Uses)			
Transfers in	-	2,099,676	2,099,676
Transfers out	(205,571)	-	(205,571)
Net financing sources (uses)	<u>(205,571)</u>	<u>2,099,676</u>	<u>1,894,105</u>
Net Change in Fund Balance	(3,446,301)	(1,871,824)	(5,318,125)
Fund Balance - Beginning, as previously reported	17,864,989	2,011,623	19,876,612
Adjustments (Note 7)	(415,016)	(86,073)	(501,089)
Fund Balance - Beginning, as restated	<u>17,449,973</u>	<u>1,925,550</u>	<u>19,375,523</u>
Fund Balance - Ending	<u>\$ 14,003,672</u>	<u>\$ 53,726</u>	<u>\$ 14,057,398</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Eureka City Schools' (the District) Building Fund (Measure S and Measure T) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The District Building Fund accounts for financial transactions in accordance with the policies and procedures of the *California School Accounting Manual*.

Financial Reporting Entity

The financial statements include only the Building Fund of the District used to account for Measure S and Measure T projects. This Fund was established to account for the receipt of proceeds and expenditures of general obligation bonds issued under Measure S and Measure T. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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. The District's governing board adopts an operating 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. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance - Building Fund (Measure S and Measure T)

As of June 30, 2024, the fund balance is classified as follows:

Restricted - amounts that can be spent only 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.

Spending Order Policy

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 the committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Estimates

The preparation of financial statements in accordance 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 during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Note 2 - Investments

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 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.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Humboldt County Investment Pool. The District maintains a Building Fund (Measure S and Measure T) investment of \$15,953,544 with the Humboldt County Investment Pool, with an average maturity of 774 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Humboldt County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2024.

Note 3 - Receivables

Receivables at June 30, 2024, consisted of the following:

Interest	\$ <u>113,594</u>
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Note 4 - Accounts Payable

The accounts payable at June 30, 2024, consisted of the following:

Capital outlay	\$ <u>2,009,740</u>
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Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due to/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivables and payable balances at June 30, 2024, between governmental funds are as follows:

The balance of \$205,571 is due to the Measure S sub-fund from the Measure T sub-fund for expenditures related to construction project costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2024, consisted of the following:

The balance of \$1,894,105 was transferred from the County School Facilities Governmental Fund to the Building Fund (Measure S and Measure T) for expenditures related to school facilities projects.

The balance of \$205,571 is due to the Measure S sub-fund from the Measure T sub-fund for expenditures related to construction project costs.

Note 6 - Commitments and Contingencies

Construction Commitments

As of June 30, 2024, the Building Fund (Measure S and Measure T) had approximately \$26.2 million in commitments with respect to unfinished capital projects.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2024.

Note 7 - Restatement

During the year ended June 30, 2024, the District determined that there was an error in amounts previously reported in the June 30, 2023 financial statements of the Building Fund (Measure S and Measure T) resulting in an overstatement of receivables due to misclassification of cash held in the county treasury as receivables. The correction of the error resulted in adjustments to and restatement of beginning fund balance as follows. Additionally, if the amounts associated with the correction of error had been properly recorded in the prior year, the change in fund balance would have been reported as follows:

	Measure T	Measure S
Beginning, as previously reported on June 30, 2023	\$ 17,864,989	\$ 2,011,623
Overstatement of receivables	<u>(415,016)</u>	<u>(86,073)</u>
Beginning, as restated on July 1, 2023	<u>\$ 17,449,973</u>	<u>\$ 1,925,550</u>
Net Change in Fund Balance	<u>\$ (350,413)</u>	<u>\$ (17,177,466)</u>

DRAFT 02/07/2025



Independent Auditor's Report
June 30, 2024

Eureka City Schools



DRAFT 02/07/2025

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Governing Board and Citizens' Oversight Committee
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 (*Government Auditing Standards*), the financial statements of the Building Fund (Measure S and Measure T) of Eureka City Schools (the District), as of and for the year ended June 30, 2024, and the related notes of the financial statements, and have issued our report thereon dated [REPORT DATE].

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Building Fund (Measure S and Measure T), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2024, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Correction of Error

As discussed in Note 7 to the financial statements, an error resulting in misstatement of amounts previously reported for receivables as of June 30, 2023, was discovered by management of the District during the current year. Accordingly, a restatement has been made to the fund balance of the Building Fund (Measure S and Measure T) as of July 1, 2023, to correct this error. Our opinion is not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a

combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure S and Measure T) 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Building Fund (Measure S and Measure T) of the District's 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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Rancho Cucamonga, California
[REPORT DATE]

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

2024-001 Financial Reporting and Closing Process

Criteria or Specific Requirements

The accounting system used to record the fiscal activities of local educational agencies (LEAs) shall be in accordance with the definitions, instructions, and procedures published in the California School Accounting Manual. LEAs are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Eide Bailly LLP assists in the preparation of the District's financial statements based on the trial balance prepared by management. During the course of the audit, material adjustments were required to be made to the Building Fund (Measure S and Measure T) financial statements including restatement of beginning fund balance. There was a material audit adjustment proposed and posted to correct a prior year overstatement of receivables, which affected the fund balance as of July 1, 2023. For the year ended June 30, 2024, an audit adjustment was identified that was related to the recording of an expenditure in the incorrect period by the District causing an understatement of operating expenditures and an understatement of the accounts payable balance. In addition, an audit adjustment was identified related to the fair market value of the cash in county investment account.

Context

The condition was identified as a result of audit procedures performed. Several adjusting entries were posted to ensure accuracy and correct classification of account balances.

Cause

The internal controls in place during the closing process, including preparation and review of account reconciliations, were not sufficient to ensure accurate reporting of balances for reporting.

Effect

Material adjustments to the general ledger were proposed as a result of audit procedures. These adjustments were accepted by management to ensure the financial statements were presented fairly. This deficiency may result in financial information that is not available as timely or accurately as it would otherwise be if account balances were reconciled and reported accurately. Additionally, this deficiency may have been corrected if the financial statements were internally prepared.

Repeat Finding (Yes or No)

No.

Recommendation

We recommend that the District implement more comprehensive review processes and controls to ensure that account balances are reconciled to the underlying source documentation. Additionally, the financial statements prepared by external accountants should be reviewed and reconciled back to the District's records to ensure amounts presented accurately reflect the District's records.

Corrective Action Plan and Views of Responsible Officials

During the year-end closing process, the Director of Fiscal Services will work closely with the Assistant Superintendent of Business Services and the Principal Account Analyst to ensure closing entries are made in a timely manner. Fair Market Value adjustments as well as accruals for accounts payable and receivable will be processed prior to submission of Unaudited Actuals. The District will review and reconcile external documents against internal records to ensure accuracy.

DRAFT 02/07/2025

Eureka City Schools

Building Fund (Measure S and Measure T)

Summary Schedule of Prior Audit Findings

June 30, 2024

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Performance Audit
Building Fund (Measure S and Measure T)
June 30, 2024

Eureka City Schools



Independent Auditor's Report on Performance

To the Governing Board and Citizens' Oversight Committee
Eureka City Schools
Eureka, California

We were engaged to conduct a performance audit of the Building Fund (Measure S and Measure T) of Eureka City Schools (the District) for the year ended June 30, 2024.

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Authority/Purpose

The general obligation bonds associated with Measure S and Measure T were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District.

For Measure S, the District received authorization from an election held on November 14, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$49,750,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2014 Authorization). The bonds outstanding as of June 30, 2024, represent the first and second series of the authorized bonds to be issued under the 2014 Authorization.

For Measure T, the District received authorization from an election held on March 3, 2020, to issue bonds of the District in an aggregate principal amount not to exceed \$18,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2020 Authorization). The bonds outstanding as of June 30, 2024, represent the first series of the authorized bonds to be issued under the 2020 Authorization.

Purpose

Pursuant to the Authorization, the proceeds of the Bonds will be used to renovate and improve school building and facilities, specifically, to complete the projects listed in the information given to the voters (the Measure S and Measure T Bond Priority Projects List).

The Measure S Bond Priority Projects List includes classroom and facility repairs such as upgrading fire alarm systems and fire sprinkler systems to meet current codes, replace and upgrade existing security systems, repair, replace, and expand fencing, doors, locks, exterior lighting, and other barriers to provide increased security for students and staff. Along with upgrading career training classrooms in the district's campuses to improve instructional methods and integrate modern technology.

The Measure T Bond Priority Projects List includes repair sections of Eureka High School which presents life and imminent health and safety risks to teachers, students and staff, families and members of the public, improve accessibility to the Eureka High School campus for disabled persons, prevent dangerous sinkholes which create imminent health and safety risks to students and high school teachers and staff, upgrade facilities to meet seismic safety standards, and apply for emergency State matching funds to offset the costs of stadium repairs. Along with, adhere to specific fiscal accountability safeguards such as all expenditures subject to annual independent financial audits, no money to be taken by the state, all funds stay local, and all expenditures are to be reviewed by an independent citizen oversight committee to ensure that funds are spent only as authorized.

Authority

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by the District, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The District must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the District to appoint a citizens' oversight committee.
4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

Objectives of the Audit

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure S and Measure T.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure S and Measure T and not for District general administration or operations.

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2023 to June 30, 2024. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2024, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2024, for the Building Fund (Measure S and Measure T). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure S and Measure T as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
 - a) We considered all expenditures recorded in all object codes.
 - b) We considered all expenditures recorded in all projects that were funded from July 1, 2023 through June 30, 2024 from Measure S and Measure T bond proceeds.
 - c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
 - d) For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2023 and ending June 30, 2024.
3. Our sample included transactions totaling \$7,607,542. This represents 92% of the total expenditures of \$8,234,802.

<u>Fund</u>	<u>Dollar Value of Transactions Tested</u>	<u>Total Project Expenditures</u>	<u>Percentage of Total Expenditures</u>
Measure T	\$ 4,131,312	\$ 4,131,312	100%
Measure S	3,476,230	4,103,490	85%
Total	<u>\$ 7,607,542</u>	<u>\$ 8,234,802</u>	<u>92%</u>

4. We reviewed the actual invoices and other supporting documentation to determine that:
 - a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
 - b) Expenditures were supported by proper bid documentation, as applicable.
 - c) Expenditures were expended in accordance with voter-approved bond project list.
 - d) Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of Measure S and Measure T if the following conditions were met:
 - a) Supporting documents for expenditures were aligned with the voter-approved bond project list.
 - b) Expenditures were not used for salaries of school administrators or other operating expenses of the District.

The results of our tests indicated that the District expended Building Fund (Measure S and Measure T) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Audit Results

The results of our test indicated that, in all material respects, Eureka City Schools has properly accounted for the expenditures held in the Building Fund (Measure S and Measure T) and that such expenditures were made for authorized Bond projects.

This report is intended solely for the information and use of the District, Governing Board, and Citizens' Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Rancho Cucamonga, California
[REPORT DATE]

None reported.

<u>Bond Fund 23 (Measure S)</u>						
<u>New Activity from 10/01/2024 to 12/31/2024</u>						
<u>Alice Birney 3 Classroom Additions</u>						
Total	0	0	0	0	0	1,168,930
<u>Alice Birney Restroom Upgrade</u>						
Total	0	0	0	0	0	13,129
<u>Alice Birney 6 Classroom Modernization Upper Wing</u>						
Total	0	0	0	0	0	157,411
<u>Alice Birney Loading Zone</u>						
Total	0	0	0	0	0	1,397,826
<u>Alice Birney Office Area Alterations</u>						
Total	0	0	0	0	0	124,878
<u>AB PA Bell System</u>						
Total	0	0	0	0	0	37,490
<u>Grant Fencing Campton Road</u>						
Total	0	0	0	0	0	17,589
<u>Grant PA Bell System</u>						
Total	0	0	0	0	0	39,972
<u>Grant Parking Lot</u>						
Total	0	0	0	0	0	47,724
<u>Laf PA Bell System</u>						
Total	0	0	0	0	0	65,933
<u>Lafayette Classroom 5, 7, 8, 12 Modernization</u>						
Total	0	0	0	0	0	66,914
<u>Lafayette Loading Zone</u>						
Total	0	0	0	0	0	1,896,384
<u>Multiple Sites - Teaching Walls</u>						
Total	0	0	0	0	0	235,412
<u>Winship/Perimeter Fencing</u>						
Total	0	0	0	0	0	68,366

Bond Fund 23 (Measure S) New Activity from 10/01/2024 to 12/31/2024						
	Total 2023-24	2024-25 Expenditures				Total 2024-25
		Quarter 1	Quarter 2	Quarter 3	Quarter 4	
<u>Winship/Bell PA System</u>						
Total	0	0	0	0	0	0
						55,798
<u>Winship Gymnasium Siding Replacement</u>						
Total	0	0	0	0	0	0
						16,283
<u>Winship Security System</u>						
Total	0	0	0	0	0	0
						35,732
<u>Winship Gym Tech Upgrades</u>						
Total	0	0	0	0	0	0
						5,067
<u>Winship - CTE Greenhouses</u>						
Total	0	0	0	0	0	0
						60,081
<u>AB PA Bell System</u>						
Total	0	0	0	0	0	0
						12,949
<u>Zane Classroom Modernization Room 42</u>						
Total	0	0	0	0	0	0
						5,614
<u>Zane Security Cameras</u>						
Total	0	0	0	0	0	0
						33,843
<u>Zane Cafeteria Roof Replacement</u>						
Total	0	0	0	0	0	0
						102,106
<u>Zane Gym Tech Upgrades</u>						
Total	0	0	0	0	0	0
						5,040
<u>Zane S Street Entrance</u>						
Total	0	0	0	0	0	0
						491,372
<u>Zane Engineering Class (Room 12)</u>						
Total	0	0	0	0	0	0
						99,606
<u>Zane PA Bell / Clock System</u>						
Total	0	0	0	0	0	0
						74,452
<u>EHS Wireless Network Upgrade</u>						

Bond Fund 23 (Measure S)						
New Activity from 10/01/2024 to 12/31/2024						
Total	Total	2024-25 Expenditures			Total	Total Bond Expenditures
	2023-24	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
	0	0	0	0	0	484
Modernize Autoshop Equipment						
Total	0	0	0	0	0	4,166
EHS CTE GreenHouses						
Total	0	0	0	0	0	0
EHS Security Cameras						
Total	0	0	0	0	0	52,690
EHS Science Building						
Zindar Brunelle DBA Brunelle and Clark	0	0	0	0	0	15,575
Adams Commercial General	3,919,269	7,220	0	0	0	11,138,737
Campton Electric	0	199	0	0	0	199
Craven Construction	74,755	8,405	575	0	0	112,179
FF&J Architects	0	181,974	-157,595	0	0	933,602
Mendes Supplies	0	2,097	0	0	0	2,097
North Coast Floor and Tile	0	22,480	0	0	0	22,480
Pierson Building Center	0	771	0	0	0	771
Platt Electric	0	1,738	0	0	0	1,738
SHN Consulting Engineers	375	0	0	0	0	7,278
US Bank (Credit Card)	1,012	9,875	0	0	0	10,887
Total	3,995,411	234,758	-157,020	0	0	12,245,542
EHS Gym Project						
AT&T	0	0	0	0	0	688
Anixter Inc	0	0	0	0	0	2,332
Bank of Marin	53,638	1,940	7,744	0	0	1,120,627
Brunelle & Clark Consulting	18,971	0	11,931	0	0	49,100
CDE	0	0	0	0	0	8,738
CDW-G	8,121	0	0	0	0	22,387
City of Eureka - Public Works Engineering	0	0	0	0	0	18,691
Corning Carpet	24,571	0	0	0	0	24,571
Community Fitness	0	0	0	0	0	41,415
Craven Construction Services	78,868	15,295	5,428	0	0	426,540
Department of Toxic Substances	0	0	0	0	0	4,295
Division of State Architect - DSA Plan Check Fees	0	0	0	0	0	163,049

Bond Fund 23 (Measure S)						
New Activity from 10/01/2024 to 12/31/2024						
	Total 2023-24	2024-25 Expenditures			Total 2024-25	Total Bond Expenditures
		Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Don's Rent All	0	0	0	0	0	203
ECS Labor	0	0	0	0	0	730
ECS Revolving Fund	0	0	0	0	0	4,053
Ferguson Enterprises	0	0	0	0	0	56
FF&J Architects - fees	0	23,597	-9,199	0	0	1,330,450
Katam Restaurant Supply	0	0	0	0	0	54,101
Kleen Solution Environmental	0	0	0	0	0	13,590
Hamanaka Painting Co, Inc.	1,985	0	0	0	0	1,985
Hensell Materials	0	0	0	0	0	300
Infinity Abatement Services	7,135	0	0	0	0	7,135
Lozano Smith	0	830	8,736	0	0	9,566
Mendes Supply	0	0	0	0	0	7,145
North Coast Labs	0	0	0	0	0	1,038
Pacific Gas & Electric - Electric Service	0	0	0	0	0	60,408
Pacific Gas & Electric - Engineering Advance	0	0	0	0	0	5,000
Page & Turnbull	0	0	0	0	0	8,001
Pierson Building Center	0	0	0	0	0	8
Resilite Sports Products	39,475	0	0	0	0	39,475
Rincon Consulting	0	0	0	0	0	35,707
Schmidbauer Lumber	0	0	0	0	0	2,130
SHN Consulting Engineers	42,078	2,375	8,768	0	0	278,662
Times Standard	0	0	0	0	0	1,179
The Mural Man	8,500	0	0	0	0	8,500
Thompson Builders	805,621	127,200	150,510	0	0	21,172,110
US Bank - Credit Cards	6,816	0	0	0	0	9,269
US Bank - Postage	0	0	0	0	0	7
Webstauntstore.com	0	0	0	0	0	2,375
Wahlund construction	0	0	0	0	0	3,398
Total	1,095,779	171,237	183,918	0	0	24,939,015
EHS AG Building						
Total	0	0	0	0	0	6,103,457
EHS Music Building						
Total	0	0	0	0	0	985,587
EHS PA Bell / Clock System						
Total	0	0	0	0	0	235,788
Lincoln Bell and PA System						

<u>Bond Fund 23 (Measure S)</u>						
<u>New Activity from 10/01/2024 to 12/31/2024</u>						
<u>Total</u>	<u>Total</u> <u>2023-24</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Total</u> <u>2024-25</u>
	0	0	0	0	0	0
<u>Lincoln Modernization Phase 2</u>						
<u>Total</u>	0	0	0	0	0	0
						1,373,225
<u>Lincoln Modernization Phase 3</u>						
<u>Total</u>	0	0	0	0	0	0
						1,066,839
<u>Washington Parking Lot (6149)</u>						
<u>Total</u>	0	0	0	0	0	0
						876,438
<u>Washington Bell/PA System</u>						
<u>Total</u>	0	0	0	0	0	0
						41,737
<u>Washington Library Modernization</u>						
<u>Total</u>	0	0	0	0	0	0
						32,746
<u>Washington Cafeteria Project</u>						
<u>Total</u>	0	0	0	0	0	0
						115
<u>Winzler Playground Paving and Equipment Replacement</u>						
<u>Total</u>	0	0	0	0	0	0
						60,123
<u>Winzler Landscaping</u>						
<u>Total</u>	0	0	0	0	0	0
						28,082
<u>District Elementary Furniture Purchases</u>						
<u>Total</u>	0	0	0	0	0	0
						13,926
<u>Jacobs Demolition-6751</u>						
<u>Total</u>	0	0	0	0	0	0
						783,355
<u>Tech Center Security Cameras -6165</u>						
<u>Total</u>	0	0	0	0	0	0
						90
<u>District Technology Upgrades</u>						
<u>Total</u>	0	0	0	0	0	0
						5,400
<u>Site Technology Updates</u>						
<u>Total</u>	0	0	0	0	0	0
						356,457

Bond Fund 23 (Measure S)						
New Activity from 10/01/2024 to 12/31/2024						
Miscellaneous						
Total	Total 2023-24	2024-25 Expenditures			Total 2024-25	Total Bond Expenditures
		Quarter 1	Quarter 2	Quarter 3		
	0	0	0	0	0	578,619
TOTAL	5,091,190	405,995	26,898	0	432,893	56,160,309
Match:						
Alice Birney 3 Classroom	0	0	0	0	0	(364,590)
Eureka High Ag Building SFP Funding	0	0	0	0	0	(3,033,778)
Lincoln Modernization SFP Funding	0	0	0	0	0	(1,853,094)
Fund 25 balance support	0	0	0	0	0	(80,410)
Total Match	0	0	0	0	0	(5,331,872)
NET EXPENDITURES	5,091,190	405,995	26,898	0	432,893	50,828,437

Bond Fund 22 (Measure T)
New Activity from 10/01/2024 to 12/31/2024
Albee Stadium (7400)

	Total 2023-24	2024-25				Total 2024-25	Total Bond Expenditures
		Quarter 1	Quarter 2	Quarter 3	Quarter 4		
360 Pipeline Inspections LLC	0	0	0	0	0	0	9,682
Adams Commercial General	1,667,885	3,664,025	4,230,216	0	0	7,894,241	9,562,126
BRUNELLE & CLARK CONSULTING	12,437	0	2,662	0	0	2,662	33,794
California Department of Fish & Wildlife	0	0	0	0	0	0	10,598
Craven Construction	5,692	28,384	20,545	0	0	48,929	54,621
DON'S RENT ALL	0	0	0	0	0	0	332
EHS Labor	0	0	0	0	0	0	21,183
EUREKA READY MIX	0	0	0	0	0	0	662
FF&J Architects INC.	1,107,302	0	2,148	0	0	2,148	2,277,702
JILL MCDONALD	0	0	0	0	0	0	1,250
Joseph Mixy--Asbestos Removal	0	0	0	0	0	0	6,490
Lozano Smith	0	8,076	30	0	0	8,105	8,105
Mobley Construction	0	0	0	0	0	0	2,430
Pacific Gas and Electric	75,142	0	0	0	0	0	80,142
Points West Surveying	0	0	3,133	0	0	3,133	3,133
SHN CONSULTING ENGINEERS	46,399	22,486	36,604	0	0	59,090	414,021
State Water Resources and Control Board	1,842	0	3,540	0	0	3,540	9,103
UNITED RENTALS NORTHWEST INC.	0	0	0	0	0	0	96
US Bank (Credit Card)	1,044	0	0	0	0	0	1,044
WAHLUND CONSTRUCTION INC.	25,427	0	0	0	0	0	25,427
Total	2,943,170	3,722,971	4,298,877	0	0	8,021,848	12,521,940
TOTAL	2,943,170	3,722,971	4,298,877	0	0	8,021,848	12,521,940
State Match:	0	0	0	0	0	0	0
NET EXPENDITURES	2,943,170	3,722,971	4,298,877	0	0	8,021,848	12,521,940