

FORTUNA UNION HIGH SCHOOL DISTRICT
County of Humboldt
Fortuna, California

MEASURE D GENERAL OBLIGATION BOND OF 2012
PERFORMANCE AUDIT

For the Year Ended June 30, 2020

With

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FORTUNA UNION HIGH SCHOOL DISTRICT

MEASURE D GENERAL OBLIGATION BOND OF 2012
PERFORMANCE AUDIT

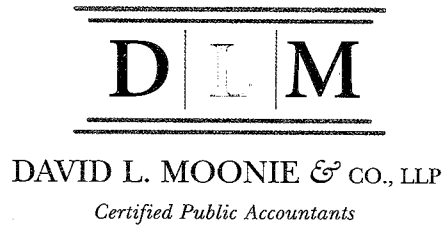
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FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Citizens' Oversight Committee
Fortuna Union High School District
379 12th Street
Fortuna, California 95540

We have conducted a performance audit of the Fortuna Union High School District (the "District") Measure D General Obligation Bond of 2012 for the year ended June 30, 2020.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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.

Our audit was limited to the objectives listed on page 4 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure D General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of Proposition 39 as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the District's internal controls.

The results of our procedures indicated that, in all significant respects, the District expended Measure D General Obligation Bond funds for the year ended June 30, 2020 only for the

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INDEPENDENT AUDITOR'S REPORT - CONTINUED

specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

A handwritten signature in blue ink that reads "David L. Moonie & Co., LLP." The signature is written in a cursive, flowing style.

David L. Moonie & Co., LLP
Eureka, California
April 27, 2021

FORTUNA UNION HIGH SCHOOL DISTRICT

MEASURE D GENERAL OBLIGATION BOND OF 2012 PERFORMANCE AUDIT

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BACKGROUND INFORMATION

California Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act, was approved by voters on November 7, 2000. Proposition 39 amended the California Constitution in Article XIII A, Section 1(b)(3) to allow the approval of bonded debt by 55 percent of voters, provided that the bond proposition meets the following requirements:

1. Proceeds from the sale of the bonds shall be used only for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.
2. The bond proposition includes a list of the specific school facilities projects to be funded, and a certification that the Governing Board of the District evaluated safety, class size reduction, and information technology needs in developing the list.
3. The Governing Board conducts an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.
4. The Governing Board conduct an annual independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for the school facilities projects.

In addition, the California Education Code was amended to include Section 15278, which provided an additional requirement that a school district must establish and appoint members to an independent citizens' oversight committee.

The Fortuna Union High School District 2012 Measure D General Obligation Bond (the "Bond") was approved by voters on November 6, 2012 to provide \$10 million in improvements to the District's facilities. The Bond proceeds are to be used for the purposes as described in the following summary of the proposition on the official ballot:

To modernize, construct and renovate outdated classrooms, restrooms and school facilities; repair or replace leaky roofs; increase student access to computers and modern technology; replace old heating, ventilation, and air-conditioning systems; improve energy efficiency; and make health and safety improvements.

The first sale of the Bond measure occurred on February 28, 2013 in the amount of \$3,500,000. The first expenditures for facilities improvements occurred on March 7, 2013. The first project funded by the bond proceeds, the new East High Continuation High School building, was completed in August 2014. The second sale of the Bond measure occurred on October 28, 2015 in the amount of \$3,000,000. The third and final sale of the Bond measure occurred on November 3, 2016, for \$3,425,000.

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The District appointed a seven-member Citizens' Oversight Committee (COC) on April 9, 2013, as required by law. The COC meets on an annual basis, or more frequently if needed during construction phases of projects. The District maintains a website link on the District's website with information on the bond project and copies of the oversight committee minutes as required by Education Code Section 15280(b).

The District records all financial activity related to the Bond in Fund 21 (Building Fund). The Building Fund was presented as a major fund in the District's audited financial statements for the year ended June 30, 2020.

OBJECTIVES

The objectives of our performance audit were to determine whether the District expended Bond proceeds in compliance with the provisions of Article XIII A, Section 1(b)(3) of the California Constitution, and that the expenditures were only for the purposes and projects approved by the District's Governing Board and voters, as listed on the official ballot for the proposition.

SCOPE OF THE AUDIT

The scope of our performance audit covered the year ended June 30, 2020, and included all expenditures of the Bond proceeds, as listed in the detailed general ledger for the District's Fund 21 (Building Fund).

METHODOLOGY

We obtained the Building Fund's detailed general ledger and financial activity reports prepared by the District for the year ended June 30, 2020, and performed the following procedures:

1. We reviewed the list of projects being performed and verified that the list is consistent with the projects and purposes listed in the official ballot for the Bond proposition.
2. We verified that the District is accounting for the bond proceeds and expenditures in a separate capital outlay fund (the Building Fund), that the District established a separate debt service fund (the Bond Interest and Redemption Fund), and that proceeds from the issuance of the Bond were deposited into the Building Fund and the Bond Interest Redemption Fund.
3. We selected a sample of expenditures from the Building Fund for the year ended June 30, 2020 and reviewed supporting invoices and other documents to ensure that the

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expenditures were allowable costs under the provisions of the Bond and Article XIII A, Section 1(b)(3) of the California Constitution. Our sample of expenditures included a total of nine expenditures totaling \$268,212, comprising 94.2 percent of total Building Fund expenditures for the year ended June 30, 2020.

4. We verified that there were no expenditures of the Bond proceeds for teacher or administrative salaries, or for general District operating expenditures.
5. We reviewed documentation of the establishment of the Bond Oversight Committee to verify that the Committee was established in accordance with the provisions of Education Code Section 15278.
6. We interviewed a member of the Bond Oversight Committee and reviewed minutes of committee meetings to verify that the committee is fulfilling its duties as required by Education Code Section 15278.
7. We prepared a Summary of Bond Proceeds and Uses of Bond Funds.

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SUMMARY OF BOND PROCEEDS AND USES OF BOND FUNDS

| | For The Year Ended June 30, 2020 | For The Years Ended June 30, 2013 - 2019 | Total |
|--|--|--|---------------------|
| Bond Proceeds: | | | |
| Face value of bonds | | \$ 9,925,000 | \$9,925,000 |
| Bond premium (discount) | | 74,170 | 74,170 |
| Interest income | \$ 87,606 | 280,103 | 367,709 |
| Transfer to Debt Service Fund | | (189,238) | (189,238) |
| Net bond proceeds | 87,606 | 10,090,035 | 10,177,641 |
| Uses of Bond Funds: | | | |
| <u>General/Planning</u> | | | |
| Bond issuance costs | | 582,141 | 582,141 |
| Geotechnical engineering services | | 40,000 | 40,000 |
| Architectural services | | 32,301 | 32,301 |
| Surveys | | 30,000 | 30,000 |
| Inspection services | | 1,940 | 1,940 |
| Planning and reporting costs | 5,500 | | 5,500 |
| <u>East High</u> | | | |
| Architectural services | | 308,341 | 308,341 |
| Geotechnical engineering services | | 3,600 | 3,600 |
| Plan review | | 20,720 | 20,720 |
| Hazardous material removal | | 5,408 | 5,408 |
| Surveys | | 22,861 | 22,861 |
| Advertising | | 275 | 275 |
| Preconstruction planning services | | 5,427 | 5,427 |
| Acoustical consultation services | | 7,500 | 7,500 |
| Inspection services | | 38,040 | 38,040 |
| Construction | | 1,952,160 | 1,952,160 |
| <u>Fortuna High Gym</u> | | | |
| Architectural services | 153,744 | 1,425,294 | 1,579,038 |
| Geotechnical engineering services | 7,520 | 13,143 | 20,663 |
| Hazardous material removal | | 12,413 | 12,413 |
| Surveys | | 567 | 567 |
| Preconstruction planning services | | 67,447 | 67,447 |
| Plan review | | 4,900 | 4,900 |
| <u>Power Systems Upgrade</u> | | | |
| Architectural services | 861 | | 861 |
| Construction | 111,552 | 32,746 | 144,298 |
| Inspection services | 5,556 | 1,929 | 7,485 |
| Total Expenditures | 284,733 | 4,609,153 | 4,893,886 |
| Total Proceeds Over (Under) Uses | (197,127) | 5,480,882 | 5,283,755 |
| Unexpended Proceeds at Year-End | <u>\$ 5,283,755</u> | <u>\$ 5,480,882</u> | <u>\$ 5,283,755</u> |

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CONCLUSION

The results of our procedures indicate that, for the items tested, the District has properly accounted for the expenditures of the Bond, the expenditures were for allowable costs and were in accordance with the approved projects list, no expenditures of Bond proceeds were made for teacher or administrator salaries or for general operating expenditures, and the District complied, in all material respects, with the requirements regarding the Bond Oversight Committee. Our audit does not provide a legal determination on the District's compliance with specific requirements.