



Vision: To Provide an Environment of Opportunity that Encourages Excellence, Promotes Community, and Supports All Students to Maximize Their Potential.

Citizens' Bond Oversight Committee Meeting

Wednesday, May 3, 2023

4:30 PM Open Session

MEETING VIA ZOOM

Phone: 669-900-6833

Meeting ID: 836 4839 4164

Passcode: 4mCApP

1.0 Open Session – Call to Order – 4:30 PM

Pledge of Allegiance

Chair – Trina Pockett

Vice Chair: Dave Reed

Committee Members – Joy Crotty, Doug Edgmon, Kathy Hall, Berny McKenna and Dave Settle

2.0 Public Comment

To the extent permitted by law and in accordance with Board Policy, members of the public may address the Board concerning any item of interest within the subject matter jurisdiction of the Board. No discussion or action shall be taken on any item not appearing on the Agenda. Please keep your comments concise, brief and limited to three (3) minutes. The Board shall limit the total time for public input on each item to twenty (20) minutes.

3.0 Approval of the March 30, 2023 Meeting Minutes

4.0 Report, Discussion and Possible Action

4.1 Report, Discussion and Possible Action to approve Greg Dale as an At-Large Committee member

4.2 Report and Discussion on the status of the bond projects – Report by Glen Senestraro

- 4.3 Report, Discussion and Possible Action to review the 2021-22 Bond Financial and Performance Audit and 2020-21 Bond Financial Audit – Report by Sarah Poust
- 4.4 Report, Discussion and Possible Action to approve the 2021-22 Annual Report to the Board – Report by Glen Senestraro

5.0 Adjournment

In compliance with the American with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Superintendent's Office at (707) 725-4462 or district@fuhsdistrict.net. Notification by Friday noon preceding the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

Written materials distributed to the FUHSD Board of Trustees within 72 hours of the Board meeting are available for public inspection immediately upon distribution at the Superintendent's Office 735 Thirteenth Street, Fortuna, CA 95540.

NOTICE: Any writing, not exempt from public disclosure under Government code Section 6253.5, 6256, 6254.3, 6254.7, 6254.15, 6254.16, or 6254.22, which is distributed to all or a majority of the members of the governing board by any person in connection with a matter subject to discussion or consideration at an open regular meeting of the board is available for public inspection at the Superintendent's office.



Vision: To Provide an Environment of Opportunity that Encourages Excellence, Promotes Community, and Supports All Students to Maximize Their Potential.

Citizens' Bond Oversight Committee Meeting

Thursday, March 30, 2023

4:30 PM Open Session

MEETING VIA ZOOM

Phone: 669-900-6833

Meeting ID: 847 8406 0449

Passcode: 2YJzLy

MINUTES

1.0 Open Session – Call to Order – 4:32 PM

Pledge of Allegiance

Chair – Trina Pockett

Vice Chair: Dave Reed

Committee Members – Joy Crotty, Kathy Hall, Doug Edgmon, Berny McKenna and Dave Settle

The meeting was called to order by Chair Pockett at 4:32 PM. Members present: Trina Pockett, Dave Reed, Dave Settle and Doug Edgmon. Member absent: Joy Crotty, Kathy Hall, and Berny McKenna. District staff present: Glen Senestraro.

2.0 Public Comment

To the extent permitted by law and in accordance with Board Policy, members of the public may address the Board concerning any item of interest within the subject matter jurisdiction of the Board. No discussion or action shall be taken on any item not appearing on the Agenda. Please keep your comments concise, brief and limited to three (3) minutes. The Board shall limit the total time for public input on each item to twenty (20) minutes.

3.0 Approval of the May 4, 2022 Meeting Minutes—Motion to approve by Edmon. Second by Reed. Motion carried unanimous.

4.0 Report, Discussion and Possible Action

- 4.1 Report, Discussion and Possible Action to approve Greg Dale as an At-Large Committee member—**tabled to next meeting**
- 4.2 Report and Discussion on the status of the bond projects – Report by Glen Senestraro—**Senestraro updated the committee on the upcoming projects and answered questions**
- 4.3 Report, Discussion and Possible Action to review bond expenditure report – Report by Sarah Poust—**Senestraro went over the report and answered questions**
- 4.4 Superintendent to update the committee on upcoming projects and timelines
- 4.5 Report, Discussion and Possible Action to approve the 2021-22 Annual Report to the Board – Report by Glen Senestraro—**tabled due to audit not finished**
- 4.6 Report, Discussion and Possible Action to review the 2021-22 Bond Performance Audit – Report by Sarah Poust—**tabled due to audit not finished**

5.0 Adjournment—adjourned at 5:01 PM

In compliance with the American with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Superintendent's Office at (707) 725-4462 or district@fuhsddistrict.net. Notification by Friday noon preceding the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

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FORTUNA UNION HIGH SCHOOL DISTRICT
County of Humboldt
Fortuna, California

MEASURE D GENERAL OBLIGATION BOND OF 2012
FINANCIAL STATEMENTS AUDIT AND PERFORMANCE AUDIT

Year Ended June 30, 2022

With

INDEPENDENT AUDITOR'S REPORT

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

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June 30, 2022

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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
735 13th Street
Fortuna, California 95540

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Fortuna Union High School District's (the "District") Measure D General Obligation Bond of 2012 Building Fund (the Fund), which comprise the balance sheet of the Fund as of June 30, 2022, and the related statement of revenues, expenditures and changes in fund balance of the Fund for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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.

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 District's internal control over financial reporting and compliance.

David T. Moore & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS

Eureka, California

March 31, 2023

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

BALANCE SHEET

June 30, 2022

	<u>Building Fund</u>
ASSETS	
Cash	\$ 4,665,819
Accounts receivable	84,360
Total assets	<u>4,750,179</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 4,750,179</u></u>
LIABILITIES	
Accounts payable	\$ 4,935
Total liabilities	<u>4,935</u>
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	<u>-</u>
FUND BALANCES	
Restricted	<u>4,745,244</u>
Total fund balances	<u>4,745,244</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 4,750,179</u></u>

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

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

For The Year Ended June 30, 2022

	<u>Building Fund</u>
Revenues:	
Other local revenue	\$ 39,669
Total revenues	<u>39,669</u>
 Expenditures:	
Services and other operating expenditures	15,056
Capital outlay	<u>226,959</u>
Total expenditures	<u>242,015</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(202,346)</u>
 Other financing sources (uses):	<u> </u>
Total other financing sources (uses)	<u>-</u>
 Net change in fund balance	(202,346)
 Fund balances, July 1, 2021	<u>4,947,590</u>
 Fund balances, June 30, 2022	<u><u>\$ 4,745,244</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2022

1. Summary of Significant Accounting Policies

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity and Background Information

The fund financial statements presented are for the Measure D General Obligation Bond of 2012 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 Fortuna Union High School District include the Measure D General Obligation Bond of 2012 Building Fund activities, related debt and disclosures as well as management's discussion and analysis.

California Proposition 39, the Smaller Classes, Safer School, 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.

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

The Fortuna Union High School District Measure D General Obligation Bond of 2012 (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.

The District approved members for the Citizens' Oversight Committee on April 9, 2013. California Education Code Section 15282(a) requires that the Citizen's Oversight Committee be comprised of at least seven members, with one member who is active in a business organization representing the business community within the District's boundaries, one member who is active in a senior citizen's organization, one member who is active in a bona fide taxpayers' organization, one member who is a parent or guardian of a student enrolled in the District, and one member who is both a parent or guardian of a student enrolled in the District and active in a parent-teacher organization.

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, 2022.

C. Basis of Presentation

The Building Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

equal value, is recorded under the modified accrual basis 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined "available" for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and entitlements. Under the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures:

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, capital outlay and debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

E. 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, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures. 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 Building Fund is used to account for the proceeds and expenditures of general obligation bonds.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and the District Superintendent during the year to give consideration to unanticipated income and expenditures.

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Assets, Liabilities, and Equity

1. Deposits and Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

The Humboldt County Treasury has no investments in derivatives.

The District does not have a specific policy which relates to interest rate risk.

2. Capital Assets and Noncurrent Obligations

The Building Fund utilizes the modified accrual basis of accounting. Under the modified accrual basis of accounting, capital outlay and debt service expenditures are recorded only when payment is due. This means that capital assets and noncurrent obligations are recorded as expenditures and not reported on the balance sheet.

3. Fund Balance

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — 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.

Committed — amounts that can be used only for specific purposes determined by a formal action of the District's Governing Board. The District's Governing Board is the highest level of decision-making authority for the District. Commitments may be

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

established, modified, or rescinded only through resolutions approved by the Governing Board.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Governing Board may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

The entire fund balance of the Building Fund is reported as restricted.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. Cash and Investments

Cash and investments at June 30, 2022 consisted of the following:

Pooled Cash in County Treasury	\$ 4,665,819
Total Cash and Investments	<u>\$ 4,665,819</u>

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1 - inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs include:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical assets or liabilities in inactive markets;
- c) Inputs other than quoted prices that are observable for the asset or liability;

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

- d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are significant unobservable inputs.

As of June 30, 2022, the District held no individual investments. The District's fair value measurements were as follows at June 30, 2022:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level</u>
Pooled Cash in County Treasury	<u>\$ 4,652,307</u>	<u>2</u>

The District has not recorded fair value adjustments in the basic financial statements as they were determined to be immaterial to the District.

Credit Risk - Investments

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 County Treasurer's investments consist of 47.65 percent federal agencies, 29.76 percent money markets, 1.38 percent municipal bonds, 15.68 percent treasury coupons, 2.38 percent medium term notes, 1.73 percent miscellaneous coupon securities, and 1.42 percent certificates of deposit. The S & P credit ratings for these investments include AAA, AA, A+e, and Ae, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit the District's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2022, none of the District's deposits were exposed to custodial credit risk.

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County of Humboldt Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations. The weighted average maturity of the County of Humboldt Treasurer's investments is 688 days.

3. Receivables

Receivables at June 30, 2022 consist of the following:

	<u>Building Fund</u>
Interest	<u>\$ 84,360</u>
Total	<u><u>\$ 84,360</u></u>

4. General Obligation Bond

Bond proceeds and uses of bond funds, from the issuance of the bond through June 30, 2022, are as follows:

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

	For The Year Ended June 30, 2022	For The Years Ended June 30, 2013 - 2021	Total
Bond Proceeds:			
Face value of bonds		\$ 9,925,000	\$ 9,925,000
Bond premium (discount)		74,170	74,170
Interest income	\$ 39,669	411,736	451,405
Transfer to Debt Service Fund		(189,238)	(189,238)
Net bond proceeds	39,669	10,221,668	10,261,337
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	11,000	16,500
<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		1,579,038	1,579,038
Geotechnical engineering services	1,880	20,663	22,543
Drafting	5,524		5,524
Hazardous material removal		12,413	12,413
Surveys		567	567
Preconstruction planning services		67,447	67,447
Construction	229,111	364,362	593,473
Advertising		1,085	1,085
Inspection services		9,245	9,245
Plan review		4,900	4,900
<u>Power Systems Upgrade</u>			
Architectural services		861	861
Construction		144,298	144,298
Inspection services		7,485	7,485
Total Expenditures	242,015	5,274,078	5,516,093
Total Proceeds Over (Under) Uses	(202,346)	4,947,590	4,745,244
Unexpended Proceeds at Year-End	\$ 4,745,244	\$ 4,947,590	\$ 4,745,244

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2022

5. Risk Management

The District is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, and natural disasters. The District manages these risks of loss through participation in public entity risk pools. There have been no significant reductions in insurance coverage from the prior year. For the past three years, settlements did not exceed insurance coverage.

OTHER INDEPENDENT AUDITOR'S REPORTS

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Michael R. Cline, CPA

Kenneth X. Stringer, CPA

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Certified Public Accountants

Aaron S. Weiss, CPA

Matthew J. Hague, CPA

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

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

Board of Trustees and Citizens' Oversight Committee
Fortuna Union High School District
735 13th Street
Fortuna, California 95540

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 D General Obligation Bond of 2012 Building Fund (the "Fund") of the Fortuna Union High School District (the "District") as of and for the year ended June 30, 2022 and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

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 opinions 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 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 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

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

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 - CONTINUED

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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure D General Obligation Bond of 2012 Building Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
March 31, 2023

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2022

None reported.

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

SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

None reported.

BOND PERFORMANCE AUDIT

Mark G. Wetzel, CPA

Michael R. Cline, CPA

Kenneth X. Stringer, CPA

D | L | M

Aaron S. Weiss, CPA

Matthew J. Hague, CPA

DAVID L. MOONIE & CO., LLP

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

INDEPENDENT AUDITOR'S PERFORMANCE AUDIT REPORT ON MEASURE D
GENERAL OBLIGATION BOND OF 2012

Board of Trustees and Citizens' Oversight Committee
Fortuna Union High School District
735 13th Street
Fortuna, California 95540

Opinions

We have conducted a performance audit of the Fortuna Union High School District's (the "District") compliance with the requirements specified in the *2021-22 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting - Appendix A*, issued by the California Education Audit Appeals Panel, that are applicable to the District's Measure D General Obligation Bond of 2012 for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the District's Measure D General Obligation Bond of 2012 for the year ended June 30, 2022.

Basis for Opinions

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 the requirements of the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting - Appendix A*. 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 opinion on the compliance requirements referred to above. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the applicable compliance requirements, and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's Measure D General Obligation Bond of 2012.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with

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

INDEPENDENT AUDITOR'S PERFORMANCE AUDIT REPORT ON MEASURE D
GENERAL OBLIGATION BOND OF 2012

applicable compliance requirements occurred, whether due to fraud or error, and to express an opinion on the District's compliance based on the compliance audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix A* will always detect a material noncompliance 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. Noncompliance with the applicable compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements that are applicable to the District's Measure D General Obligation Bond of 2012 as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix A*, our responsibilities are to:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as the auditor considers necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix A*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine the District's compliance with the State laws and regulations applicable to the District's Measure D General Obligation Bond of 2012.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the compliance requirements referred to above on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is

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

INDEPENDENT AUDITOR'S PERFORMANCE AUDIT REPORT ON MEASURE D
GENERAL OBLIGATION BOND OF 2012

a reasonable possibility that material noncompliance with the compliance requirements referred to above will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the compliance requirement referred to above that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Performance Audit 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, 2022, 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, 2022, 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 and Redemption Fund.

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

INDEPENDENT AUDITOR'S PERFORMANCE AUDIT REPORT ON MEASURE D
GENERAL OBLIGATION BOND OF 2012

3. We selected a sample of expenditures from the Building Fund for the year ended June 30, 2022 and reviewed supporting invoices and other documents to ensure that the 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 16 expenditures totaling \$239,863, comprising 99.1 percent of total Building Fund expenditures for the year ended June 30, 2022.
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 members of District management regarding the establishment of the Citizen's Oversight Committee.

Results and 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 only for the 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, and no expenditures of Bond proceeds were made for teacher or administrator salaries or for general operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

The results of our procedures disclosed no instances of noncompliance.

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 based on the requirements specified in the *2021-22 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix A*. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
March 31, 2023

FORTUNA UNION HIGH SCHOOL DISTRICT
County of Humboldt
Fortuna, California

MEASURE D GENERAL OBLIGATION BOND OF 2012
FINANCIAL STATEMENTS

Year Ended June 30, 2021

With

INDEPENDENT AUDITOR'S REPORT

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

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June 30, 2021

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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
735 13th Street
Fortuna, California 95540

Report on the Financial Statements

We have audited the accompanying financial statements of the Fortuna Union High School District's (the "District") Measure D General Obligation Bond of 2012 Building Fund (the Fund), which comprise the balance sheet of the Fund as of June 30, 2021, and the related statement of revenues, expenditures and changes in fund balance of the Fund for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit 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.

FORTUNA UNION HIGH SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BOND OF 2012
INDEPENDENT AUDITOR'S REPORT - CONTINUED

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District's Measure D General Obligation Bond of 2012 Building Fund as of June 30, 2021, and the Fund's changes in fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
March 31, 2023

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

BALANCE SHEET

June 30, 2021

	<u>Building Fund</u>
ASSETS	
Cash	\$ 5,075,024
Accounts receivable	44,691
Total assets	<u>5,119,715</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,119,715</u></u>
LIABILITIES	
Accounts payable	<u>\$ 172,125</u>
Total liabilities	<u>172,125</u>
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	<u>-</u>
FUND BALANCES	
Restricted	<u>4,947,590</u>
Total fund balances	<u>4,947,590</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 5,119,715</u></u>

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

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

For The Year Ended June 30, 2021

	<u>Building Fund</u>
Revenues:	
Other local revenue	\$ 44,027
Total revenues	<u>44,027</u>
Expenditures:	
Services and other operating expenditures	15,831
Capital outlay	<u>364,361</u>
Total expenditures	<u>380,192</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(336,165)</u>
Other financing sources (uses):	<u> </u>
Total other financing sources (uses)	<u>-</u>
Net change in fund balance	(336,165)
Fund balances, July 1, 2020	<u>5,283,755</u>
Fund balances, June 30, 2021	<u><u>\$ 4,947,590</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2021

1. Summary of Significant Accounting Policies

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity and Background Information

The fund financial statements presented are for the Measure D General Obligation Bond of 2012 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 Fortuna Union High School District include the Measure D General Obligation Bond Building Fund activities, related debt and disclosures as well as management's discussion and analysis.

California Proposition 39, the Smaller Classes, Safer School, 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.

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2021

The Fortuna Union High School District Measure D General Obligation Bond of 2012 (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.

The District approved members for the Citizens' Oversight Committee on April 9, 2013. California Education Code Section 15282(a) requires that the Citizen's Oversight Committee be comprised of at least seven members, with one member who is active in a business organization representing the business community within the District's boundaries, one member who is active in a senior citizen's organization, one member who is active in a bona fide taxpayers' organization, one member who is a parent or guardian of a student enrolled in the District, and one member who is both a parent or guardian of a student enrolled in the District and active in a parent-teacher organization.

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, 2021.

C. Basis of Presentation

The Building Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2021

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the modified accrual basis 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined "available" for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and entitlements. Under the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures:

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, capital outlay and debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

E. 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, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures. 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 Building Fund is used to account for the proceeds and expenditures of general obligation bonds.

F. Budgets and Budgetary Accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2021

These budgets are revised by the District's governing board and the District Superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Deposits and Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

The Humboldt County Treasury has no investments in derivatives.

The District does not have a specific policy which relates to interest rate risk.

2. Capital Assets and Noncurrent Obligations

The Building Fund utilizes the modified accrual basis of accounting. Under the modified accrual basis of accounting, capital outlay and debt service expenditures are recorded only when payment is due. This means that capital assets and noncurrent obligations are recorded as expenditures and not reported on the balance sheet.

3. Fund Balance

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For The Year Ended June 30, 2021

externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the District's Governing Board. The District's Governing Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Governing Board.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Governing Board may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

The entire fund balance of the Building Fund is reported as restricted.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. Cash and Investments

Cash and investments at June 30, 2021 consisted of the following:

Pooled Cash in County Treasury	<u>\$ 5,075,024</u>
Total Cash and Investments	<u>\$ 5,075,024</u>

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For The Year Ended June 30, 2021

Level 1 - inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs include:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical assets or liabilities in inactive markets;
- c) Inputs other than quoted prices that are observable for the asset or liability;
- d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are significant unobservable inputs.

As of June 30, 2021, the District held no individual investments. The District's fair value measurements were as follows at June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level</u>
Pooled Cash in County Treasury	\$ 5,096,451	2

The District has not recorded fair value adjustments in the basic financial statements as they were determined to be immaterial to the District.

Credit Risk - Investments

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 County Treasurer's investments consist of 52.84 percent federal agencies, 26.45 percent money markets, 2.13 percent municipal bonds, 13.42 percent treasury coupons, 3.58 percent medium term notes, and 1.58 percent miscellaneous coupon securities. The S & P credit ratings for these investments include AAA, AA, A+e, and Ae, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit the District's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For The Year Ended June 30, 2021

institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2021, none of the District's deposits were exposed to custodial credit risk.

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County of Humboldt Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations. The weighted average maturity of the County of Humboldt Treasurer's investments is 800 days.

3. Receivables

Receivables at June 30, 2021 consist of the following:

	Building Fund
Interest	\$ 44,691
Total Receivables	\$ <u>44,691</u>

4. General Obligation Bonds

Bond proceeds and uses of bond funds through June 30, 2021 were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2021

	For The Year Ended June 30, 2021	For The Years Ended June 30, 2013 - 2020	Total
Bond Proceeds:			
Face value of bonds		\$ 9,925,000	\$ 9,925,000
Bond premium (discount)		74,170	74,170
Interest income	\$ 44,027	367,709	411,736
Transfer to Debt Service Fund		(189,238)	(189,238)
Net bond proceeds	44,027	10,177,641	10,221,668
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	11,000
<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		1,579,038	1,579,038
Geotechnical engineering services		20,663	20,663
Hazardous material removal		12,413	12,413
Surveys		567	567
Preconstruction planning services		67,447	67,447
Construction	364,362		364,362
Advertising	1,085		1,085
Inspection services	9,245		9,245
Plan review		4,900	4,900
<u>Power Systems Upgrade</u>			
Architectural services		861	861
Construction		144,298	144,298
Inspection services		7,485	7,485
Total Expenditures	380,192	4,893,886	5,274,078
Total Proceeds Over (Under) Uses	(336,165)	5,283,755	4,947,590
Unexpended Proceeds at Year-End	<u>\$ 4,947,590</u>	<u>\$ 5,283,755</u>	<u>\$ 4,947,590</u>

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For The Year Ended June 30, 2021

5. Risk Management

The District is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, and natural disasters. The District manages these risks of loss through participation in public entity risk pools. There have been no significant reductions in insurance coverage from the prior year. For the past three years, settlements did not exceed insurance coverage.

OTHER INDEPENDENT AUDITOR'S REPORTS

Mark G. Wetzel, CPA

Michael R. Cline, CPA

Kenneth X. Stringer, CPA

D | L | M

DAVID L. MOONIE & CO., LLP

Certified Public Accountants

Aaron S. Weiss, CPA

Matthew J. Hague, CPA

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

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

Board of Trustees and Citizens' Oversight Committee
Fortuna Union High School District
735 13th Street
Fortuna, California 95540

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 D General Obligation Bond of 2012 Building Fund of the Fortuna Union High School District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

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 opinions 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 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 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

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

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 - CONTINUED

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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure D General Obligation Bond of 2012 Building Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
March 31, 2023

FINDINGS AND RESPONSES

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

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2021

None reported.

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

SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

None reported.

FORTUNA UNION HIGH SCHOOL DISTRICT CITIZEN'S OVERSIGHT COMMITTEE

Fiscal Year ending June 30, 2022

ANNUAL REPORT

THIS REPORT IS HEREBY ADOPTED BY THE **FORTUNA UNION HIGH SCHOOL DISTRICT CITIZEN'S OVERSIGHT COMMITTEE** PURSUANT TO EDUCATION CODE SECTION 15278 AND SUBMITTED TO THE PUBLIC IN CONFORMANCE WITH SUCH SECTION.

2021-22 Annual Report Executive Summary

On November 6, 2012, the Fortuna Union High School District (FUHSD) submitted for voter approval Measure D, a bond measure to authorize the sale of \$10 million in bonds to improve school facilities. The measure passed with 61.3% affirmative votes, greater than the 55% required under the terms and conditions of Proposition 39, Article XIII of the California State Constitution.

The Citizen's Oversight Committee (COC) was formed following action of the FUHSD Board of Trustees on February 12, 2013, and reached a total of seven (7) members by April 24, 2013. The action of the FUHSD Board of Trustees also established bylaws clarifying the Committee's rights, duties and limitations. Agendas and minutes of the COC are posted on the FUHSD website.

The first series of bonds in the amount of \$3,500,000 were sold on February 28, 2013. Funds from this bond sale will be primarily used for the construction of East Continuation High School. The second series of bonds in the amount of \$3,000,000 were sold on October 28, 2015. The third series of bonds in the amount of \$3,425,000 were sold on November 3, 2016. Funds from these bonds will be used on the modernization and seismic retrofit of the gymnasiums and locker rooms. As is required by law, the FUHSD Measure D Bond Fund was subjected to a performance audit for the period ending June 30, 2021. As described in the Performance Audit, the Measure D funds were deemed to have been expended appropriately.

I. MEMBERSHIP OF THE FORTUNA UNION HIGH SCHOOL DISTRICT CITIZEN'S OVERSIGHT COMMITTEE

Citizen's Oversight Committee Members

As of June 30, 2021

- Dave Settle (member of a Seniors group)
- Doug Edgmon (member of the community at large)
- Berny McKenna (member of the business community)

- Trina Pockett, Chair (parent of a child in the district)
- Dave Reed, Vice-Chair (parent in a parent-teacher organization)
- Joy Crotty (member of the community at large)
- Kathy Hall (member of Howard Jarvis Taxpayers Assn.)

II. ACTIVITIES OF THE FORTUNA UNION HIGH SCHOOL DISTRICT CITIZEN'S OVERSIGHT COMMITTEE

The Citizen's Oversight Committee (COC) has held two (2) meetings: March 3, 2022 (via Zoom) and May 4, 2022 (via Zoom).

March 3, 2022 at 4:30 p.m.:

COC members present:

Trina Pockett
Dave Reed
Joy Crotty
Kathy Hall
Berny McKenna
Doug Edgmon
Dave Settle

Staff Present:

Glen Senestraro, FUHSD Superintendent
Sarah Poust, FUHSD CBO

The following business was conducted at this meeting:

- Reviewed and discussed status of bond projects
- Reviewed and discussed the bond expenditures to date
- Reviewed and discussed any topics of concern to committee

May 4, 2022 at 4:30 p.m.:

COC members present:

Trina Pockett
Dave Reed
Doug Edgmon
Kathy Hall

Staff Present:

Glen Senestraro, FUHSD Superintendent

The following business was conducted at this meeting:

- Reviewed and discussed status of bond projects
- Reviewed and discussed the bond expenditures to date
- Reviewed and discussed annual report and audit

III. REPORT AND FINDINGS OF THE CITIZEN'S OVERSIGHT COMMITTEE:

1. The COC has met. The meetings have been briefly described above. Minutes of COC meetings are on file with the School District and are posted on the District's website, <http://www.fuhsdistrict.org>
2. The COC has received reports, updates, and information on the expenditure of Measure D Bond funds and reviewed project expenditures related to projects authorized under Measure D.
3. Based on the audit findings, Measure D Bond funds have been expended on the identified projects authorized by Measure D (CA Education Code Section 15278 (b) (1)).
4. Based on the audit findings, No Measure D Bond monies have been spent on teacher/administrative salaries or other school operating expenses (CA Education Code Section 15278 (b) (2)).
5. An independent audit report has been reviewed and more will be reviewed and reported by the COC in the coming fiscal year.
6. The COC has received all necessary and requested technical and administrative assistance from the School District (CA Education Code Section 15278).
7. The District website is operating and includes information regarding Measure D and the COC (CA Education Code Section 15278 (b)). This includes minutes of the COC meetings and reports issued by the COC, which will include this Annual Report following its adoption.
8. Based on the foregoing information, the FORTUNA UNION HIGH SCHOOL DISTRICT is in compliance with the requirements of Article XIII A (b) (3) of the California Constitution.

IV. CONTACT INFORMATION:

Comments, questions and suggestions can be forwarded to the COC through the School District at:

Fortuna Union High School District
735 13th Street
Fortuna, CA 95540
707-725-4462

CITIZEN'S OVERSIGHT COMMITTEE MEMBERS

Joy Crotty

Berny McKenna

Doug Edgmon

Trina Pockett

Dave Reed

Dave Settle

Kathy Hall
