



## **NOTICE AND AGENDA**

### **CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC) MEETING**

Hillsborough City School District  
February 22, 2024  
Meeting held via [Zoom](#)

#### **AGENDA for February 22, 2024, 1:00 pm**

1. Call to Order
2. Roll Call
3. Welcome and Introductions
4. Approve [Meeting Minutes](#) from January 26, 2024
5. Prepare Draft [Board Report](#)
6. [Audit Report](#) Provided Again for Reference
7. Public Address

Items Not On The Agenda For Future Consideration

(Under Government Code 54954.3, members of the public have the right to address the Committee on any matter within the Committee's jurisdiction. However, the Committee may not discuss or take action on any non-agenda item. Individual speakers may be allowed time limit at the discretion of the Committee.)



## **Citizens' Bond Oversight Committee (CBOC)**

### **Meeting Minutes**

Meeting Conducted via Zoom

Friday, January 26, 2024

12:00 PM – 1:00 PM

#### **I. OPENING ITEMS**

##### **A. Call to Order**

The meeting was called to order by CBOC Chair Alan Rittenberg

##### **B. Roll Call**

###### **CBOC Members Present:**

Alan Rittenberg

Sara Heston

Bonnie Feldman

Mairin Macaluso

###### **Non-CBOC Members Present:**

Clement Chen

###### **HCSD Staff Members Present:**

Joyce Shen

Michelle Yau

Larry Raffo

Ron Russo

###### **HCSD Board Members:**

An Chen

###### **Auditor:**

Paul Pham

###### **Van Pelt Construction Services:**

Eric Van Pelt

Jennifer Gibb

Merry Te

C. Welcome and Introductions are initiated by Eric.

**CBOC Members:**

- Alan Rittenberg has been a Hillsborough resident for 29 years, with two older children starting in Hillsborough school, 34 YO female and 30 YO male. The 14-year-old Stepchild is currently in middle school. Retired and owns a company within the IT
- Bonnie Feldman - was co-president for North ES group last year, is currently on the HSF board, and is the current trustee representative for Crocker parent board. Crocker alums. Looking forward to beautifying the schools
- Sara Heston - Parent/Guardian, two kids at South ES, on HSF board with Bonnie, on the school site council at South ES, wants to see schools improve
- Mairin Macaluso - Parent/Guardian, three sons went to North ES and Crocker MS and are now in college or graduated. She has lived in Hillsborough for 20 years. Served on many boards, had many roles, and volunteered. She served on the HSF board as HSF President. She was a part of Crocker MS parent board and Crocker Site Council and also served on the volunteer group to help the new bond pass.

**Non-CBOC Member:**

- Clement Chen - Hillsborough resident since 2000, 2 children - 28-year-old son, 22-year-old daughter that went to South ES, West ES, and Crocker MS. Long time resident, has project experience. Works in the hotel industry, renovating hotels. He looks forward to contributing to the team if the board approves his application in February. He has worked previously on massive projects and has received high praise from her for tracking expenses in construction.

**HCSD Staff Members:**

- Joyce Shen - Chief Business Official
- Michelle Yau - Food Services and Business Specialist
- Larry Raffo - Bond Consultant
- Ron Russo - Facilities and Maintenance Manager

**Board of Trustees:**

- An Chen - Board of Trustees Member

**Auditor:**

- Paul Pham - Chavan and Associates, Auditor Firm

**Van Pelt Construction Services:**

- Eric Van Pelt - Vice President
- Jenn Gibb - Director of Business Development/Program Manager
- Merry Te - Project Coordinator

## **II. REPORTS DISCUSSION AND/OR POSSIBLE ACTION**

Eric explained the purpose of CBOC meetings. The goal is to work collaboratively.

Eric explained we need a co-chair to take over when the chair is unavailable.

- Alan asked for volunteers, and Mairin nominated herself. Alan called to vote—a unanimous vote for Mairin to be co-chair.

There are currently three vacancies. The application for Clement Chen was received and will be presented at the February board meeting for approval.

### **A. Project Updates**

1. Eric presented the HCSD Measure H Phase I Implementation Plan slide that displays the project budget, funding sources, and current projects. He explained how we prioritized the projects by collaborating with the HCSD Facilities committees, administrators, teachers, staff, Ron and Larry. Those meetings helped develop this implementation plan and budget we are working through right now. Eric discussed the need for program contingency and district management costs.
2. Bonnie asked if the air conditioning was included in the HVAC project. Eric responded yes, we are installing air conditioning throughout the classrooms. We recently had a meeting regarding this.
3. Bonnie also asked about the solar project. Does this include storing energy such as a backup generator in case of blackouts and brownouts. Per Eric, it does not include any storage. The new building code for the state of CA requires you to include solar and a battery backup system for new buildings in schools. For the solar project, it's strictly for panels for the schools to offset costs. Eric assured Bonnie that we are looking toward pricing and ongoing replacement costs. We're currently exploring and putting together cost estimates for putting up battery backup systems or a system for blackouts and brownouts. Currently, it's not funded here, but that doesn't mean it won't happen in phase I. If there's money left or savings from projects, it can potentially be reallocated at the board's direction. But we are putting together a study and cost estimates so we can take it to the board for decisions. Bonnie was concerned because she stated school was canceled last school year due to blackouts. Eric said this is a common theme that is happening in many other school districts. Districts are looking for economical and practical solutions, but we'll need to consider the economics, maintenance, and overall costs for parts. As we try to look over all those concerns, we need to look at how it would affect Ron, his team, and the district since there will be ongoing replacement costs. Batteries have a shelf life of around

ten years; we have to look at recurring costs for replacement. The worst situation is using all your capital dollars upfront and having a district that can not fund the replacement parts in ten years. This is a nuanced conversation that many other districts are having.

4. Bonnie mentioned in terms of classroom technology, she is concerned about safety. There were a couple of lockdown scares where there were difficulties getting notifications out because Hillsborough does not have the best reception. There are communication challenges. Has there been any conversations regarding this? Will there be cat-5 or cat-6 cables installed? Per Eric, we have yet to have that specific discussion, but we know you have a clock system that gets out emergency notifications. Eric asked if Joyce had heard anything because our facilities committee meeting did not discuss it. Joyce responded that we needed to discuss it with Tracy. Per Eric, we'll discuss this with the facilities committee meeting and report back.
5. Sara asked about the timeline and when the next phase will start - how long do we expect this to take?
  - Eric - as of now, there are some nuances discussed regarding the phasing. From a construction perspective, we are looking to wrap up phase 1 of Measure H within the next 3 years. The timing of future phases of the bond is contingent on a few different things. Property values of Hillsborough drive the district's ability to sell bonds.
  - Per Jen - voters authorized \$140 million. We did the first issuance. The Auditor will review our funds in the next part of the agenda. The remaining money is based on the assessed property value. Not the current market value but the tax values. We look at current assessed value rates. We look at current assessed evaluation rates and the timing that we need for our cash flow with our financial advisors. So, the implementation plan that Eric provided takes that into account for phasing out the bond. It depends on when we can go out and do the next tranche of bond selling. If we have an opportunity to sell bonds sooner, we will take it. In the November 2024 election, it has yet to be put on the ballot, but two measures are moving forward into legislation, SB28 and AB247, that potentially put about \$14 billion into K-12 construction funds. We're working on leveraging current funding with state funding. There are many different ways we work on the cash flow, but it does have to do with the timing and the value of the elementary school district.

- Eric stated we have yet to set an exact day when we can sell the bonds, but we anticipate a gap between Phase 1 and Phase 2. However, we are working closely with the financial advisors.
  - Sara asked if we can assume South and North will take about five years.
  - Eric stated that is a fair assessment
6. Accomplishments
- Implementation Plan and program budget adopted by the BOT
  - Painting completed at North and South
  - Viewboards installed district-wide with training completed
  - Solar permit for NEM 2.0 received
  - Low voltage updates completed at all sites
  - HVAC assessments have been completed, and the project is underway
  - The design for upgraded school marquee signs is underway, and the new signs have been procured
  - The design for the West waterline replacement is complete
7. MPR Updates West & Crocker
- Programming is complete at both sites
  - Site committee meetings have been held at both Crocker and West. We are in the early process for both sites, but West is slightly ahead of schedule.
  - West massing is being completed.
  - Floor Plans for Crocker are being reviewed
8. West Waste Line Replacement
- The site survey is complete, and the assessment of the underground utilities is also completed.
  - It was discovered the water lines were failing as well during the assessment.
  - The design is being closely coordinated with the new MPR
  - Replacement of the failing pumps is also included in the proposal
9. Furniture Project
- Pilot furniture purchased and accessible by teachers. We are waiting for feedback to see if
10. South A Pod Project
- Flooring is complete
  - Working on ideas to brighten up the A-Pod with possible paint or solar tubes
  - Sara asked if the portable replacement would be in phase 2. Eric confirmed this is correct.

Alan - needed clarification regarding committee and statutory requirements. What is our charge?

- Eric - your biggest charge is ensuring the bond dollars are spent on bond language. When we show you photos, we're trying to show you what the bond dollars are buying the district. There is a requirement to do a site visit; we'll do those once a year so you can physically put your eyes on it and see how it is being used. The Board of Trustees is the governing body of the school board. The bond dollars are spent at their will on things included within the bond language. As part of this committee, we want to be communicators for the bond to the community.
- Jen - the board has appointed you to have an oversight. The statutory requirement is to produce an annual report, which would be presented from over the last year, an audit being one of the components of the report. It'll include a financial report, independent audit report, and performance report. Also, there will be an oversight of what has happened on the financial side. You're not picking any projects; that's at the board's discretion.

Alan - Is there a required cadence of meetings?

- Eric - I was going to touch on it at the end, but we can now. We support this committee, but at minimum, we must do a site visit for one year and meetings at least once a quarter. That is my recommendation, as it is what we see most often for other districts. Regarding documents, we will get them to you three days in advance moving forward. But we could discuss how often we should meet.
- An - Larry and I worked on the last bond, and both were on the CBOC; we met quarterly, and it was fun because we would coordinate and see once the projects were finished. It was helpful to meet quarterly.
- Alan - I've been on the committee for 3-4 years, encompassing the end of the last bond. And none of this was happening, which is part of the reasoning for my question. The meetings were sporadic, and site visits weren't happening. Since we are beginning the process, we need to set these parameters moving forward. Receiving a financial report 50 minutes before this meeting is not helpful. I haven't had the chance to look at the financial reports, and I do not have the ability to make sound judgments. I think things need to change.
- Eric - Regarding documents, we will get them to you three days in advance moving forward.
- Alan - who sets these cadences? How is that decided?
- Eric - it's your committee, and if once a quarter sounds good for you, we can get it on everyone's calendar for the rest of the year. There will be times when we will need special meetings. One of them is coming up after we review the audit report today. However, after reviewing the audit, we have to prepare the final report for the district. Regarding the annual reports, we act as your scribes and the team that puts your documents together. We will give our input and show you examples of what other districts do for their reports. From there, we will discuss any edits we need to make before turning it in. There will be special meetings as required.
- Bonnie - This is my first CBOC participation. Is there any time when, all of a sudden, if we are out of our budget due to unforeseen circumstances, we will be contacted?

- Eric - the board of trustees will be the first to get notified, and we'll ask how they want to handle it. We'll ask if we need to use contingencies or cut scope. We will call a special meeting with CBOC if there is a severe issue. Eric presented the project summary report. The two columns on the right are green, which means we are on track, but if we are working and problems arise where the columns turn yellow or red, we will have a special meeting to address them.

#### **B. Audit Review with Paul Pham**

1. Paul discussed Proposition 39. As a requirement for these propositions to pass at a lower passing rate, the district must establish a Citizens oversight committee and have an annual audit by a public auditing firm, and that's where my firm comes in. We audit the district's Measure H program. Paul discusses change orders and the process to get to the annual audit report. Paul presents the Measure H Fund, Statement of Revenue, Expenditures, and Changes in Fund Balance report. Paul stated after reviewing the audit results, we had a clean audit. Our audit did not find any deficiencies in internal financial reporting controls that we considered material weaknesses. The test showed no instances of noncompliance or other matters that are required to be reported by government auditing standards. The district complied with all materials required for Prop 39 and Measure H.
2. Clement questioned, "Alan, I see a Fund Balance of \$33,603,070 vs. a Project Budget of \$71,294,333.80. How will the difference be funded?"
  - For the budget, phase 1 has two bond sales—we coordinated those two bond sales with the financial consultants. We have enough assessed values that Jennifer Gibb discussed earlier to make the bond sales. Those two bond sales plus interests will total about \$70 million. One has happened, but the second may happen in about a year and a half. There are a couple of different reasons. The government doesn't want you to sell all your bonds and earn interest. Eric and Jennifer explained arbitrage and the need to complete work quickly.

#### **C. Financial Review of Measure H**

1. Eric presents the project summary report

#### **D. Public Address**

1. None

### **III. STAFF REPORTS**

- A. Larry addressed Alan regarding his frustrations with previous CBOC meetings. Larry mentioned he had attended all CBOC meetings since 2004. Since Alan became chair, very few things have been going on with Measure H or Measure B. It was very disconnected, and it can be frustrating. Larry hopes that, moving forward, everyone will enjoy being a part of the committee. He mentioned that



although the program manager is running the meeting, the CBOC committee should feel free to ask questions without hesitation and request budget reports if necessary. Anyone on the committee can request these reports as long as they are 72 hours before the next meeting. Per Larry, trust is the most significant thing the district has with the public. The public may listen more to CBOC members than a board member. When the committee is out in public at foundation meetings or social gatherings, we want the committee members to feel comfortable answering questions when approached by the community. We encourage members to ask questions. Larry believes quarterly meetings are appropriate.

- B. Regarding site meetings and visits, Larry mentioned we can provide hard hats and check out the sites anytime; we just need to coordinate with VPCS. In the past, he has taken board members on walks and even held site visits on Saturdays. Larry recommends that CBOC members request site visits individually or as a group. He also stated once the MPR projects or the Portable project at South are underway, committee members should see the process because it is fascinating. Larry again mentioned he understands the site committee's frustrations from past meetings, but moving forward, it should be exciting.
  - 1. Alan appreciated Larry's input and stated that this is what we needed as a committee, as he does not remember doing any previous site visits. He believes this will be a more fun process to see the sites in person.
  - 2. Eric reminded the committee that all meetings must comply with the brown act.

#### **IV. COMMITTEE MEMBER REPORTS**

- A. There were no committee member reports.

#### **V. PUBLIC COMMENTS FROM THE COMMUNITY**

- A. There were no comments from the public.

#### **VI. CLOSING ITEMS**

- A. Next meeting: To be scheduled in one month (February), a meeting poll will be sent out by Merry to finalize a date and time. Also, a second meeting poll will be sent out for the quarterly meeting.
- B. CBOC Chair Alan Rittenberg adjourned the meeting.



# Citizens' Bond Oversight Committee (CBOC)

2022-2023  
ANNUAL REPORT TO THE  
Hillsborough City School District



# CURRENT CBOC MEMBERSHIP

CBOC Membership		Supporting Roles	
Position	Member Name	Board of Trustee Members	
President	<i>Alan Rittenberg</i>	An Huang Chen	
Vice President	Mairin Macaluso	District Staff	
Member	<i>Sarah Heston</i>	Joyce Shen	
Member	<i>Bonnie Feldman</i>	Michelle Yau	
Member	<i>Clement Chen</i>	John Chwastyk	
Member	<i>Kirsten Patel</i>	Ron Russo	
		Larry Raffo	
		Consultants Presenting at Meetings	
		Eric Van Pelt, Bond Manager	
		Paul Pham, Auditor	
		Jennifer Gibb, Bond Finance	
		Merry Te, VPCS Admin	



# CBOC CHARTER

Statutory Purpose: The Committee is appointed by the Board and charged by statute with the following purpose:

1. To promptly alert the public to any waste or improper expenditures of school construction bond money.
2. To inform the public concerning the expenditure of bond revenues.
3. Ensuring that bond revenues are expended only for the purposes described in the Constitution; that is for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities.
4. Ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses. *NOTE: Bond funds can be used for district office staff working on the bond program.*

Role of the Committee vis-a-vis the Board: The Board, on the advice of the Superintendent/Staff, makes all decisions related to how bond funds are spent (i.e. the scope, schedule and budget of approved projects).

The CBOC can provide input on these matters, but the input isn't binding on the Board.

# Layered Oversight of Bond Expenditures

- The HCSD Board has ultimate authority over allocation of Bond resources and project prioritization.
- The following oversight entities review and report on the appropriate spending of Bond funds:
  - Independent Auditor - California Education Code Requirement
    - Performance Audit Requirement
    - Financial Audit Requirement
  - Citizens' Bond Oversight Committee
- The following provide additional input, review, and/or recommendations:
  - Public Forums and HCSD Board Meetings
  - Published and Online Public Documentation
  - Facility Committee Planning Committee

# CBOC Meetings and Major Items

Dates	Major Items Reviewed
January 26, 2024	-Reviewed Board Approved Implementation Plan
January 26, 2024	-Review Financial and Performance Audit
January 26, 2024	-Reviewed Projects Status Report
January 26, 2024	-Reviewed Current Project Status
January 26, 2024	-Reviewed Current Projects Design Statuses
January 26, 2024	-Established Meeting Cadence and Meetings Going Forward

# Board Approved Project List Measure I1

## HCSD Board Approved Implementation Plan

### HCSD Measure H Phase I Implementation Budget

Project Name and Category	Project Budget	Fund 21	Fund 40	Fund 21 (Bond Interest)	Fund 35 (State Funding)
<b>Safe, Cool, Warm and Dry</b>	<b>\$16,700,000.00</b>	<b>\$16,700,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Roofing Repairs (All Sites)	\$8,500,000.00	\$8,500,000.00	\$0.00	\$0.00	\$0.00
HVAC Replacements and Improvements (All Sites)	\$7,000,000.00	\$7,000,000.00	\$0.00	\$0.00	\$0.00
South and North School Painting	\$700,000.00	\$700,000.00	\$0.00	\$0.00	\$0.00
West Waterline Replacement	\$500,000.00	\$500,000.00	\$0.00	\$0.00	\$0.00
<b>Educational Program Support</b>	<b>\$4,200,000.00</b>	<b>\$4,200,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Furniture Replacement (All School Sites)	\$3,000,000.00	\$3,000,000.00	\$0.00	\$0.00	\$0.00
Classroom Technology (All School Sites)	\$1,200,000.00	\$1,200,000.00	\$0.00	\$0.00	\$0.00
<b>Modernization and Renovations</b>	<b>\$47,394,333.80</b>	<b>\$47,032,848.80</b>	<b>\$0.00</b>	<b>\$361,485.00</b>	<b>\$0.00</b>
Crocker MPR Replacement and Drop-Off	\$21,643,483.80	\$21,643,483.80	\$0.00	\$0.00	\$0.00
West New MPR	\$17,000,000.00	\$16,638,515.00	\$0.00	\$361,485.00	\$0.00
South A Pod Finishes Remodel	\$1,000,000.00	\$1,000,000.00	\$0.00	\$0.00	\$0.00
Crocker Synthetic Turf	\$3,500,000.00	\$3,500,000.00	\$0.00	\$0.00	\$0.00
Solar Energy Projects	\$4,250,850.00	\$4,250,850.00	\$0.00	\$0.00	\$0.00
<b>District Costs</b>	<b>\$3,000,000.00</b>	<b>\$1,500,000.00</b>	<b>\$0.00</b>	<b>\$1,500,000.00</b>	<b>\$0.00</b>
Program Contingency	\$2,000,000.00	\$1,500,000.00	\$0.00	\$500,000.00	\$0.00
District Management Costs	\$1,000,000.00	\$0.00	\$0.00	\$1,000,000.00	\$0.00
<b><u>Totals:</u></b>	<b><u>\$71,294,333.80</u></b>	<b><u>\$69,432,848.80</u></b>	<b><u>\$0.00</u></b>	<b><u>\$1,861,485.00</u></b>	<b><u>\$0.00</u></b>

# Major Takeaways From 2023

## Observations

[Performance Audit](#) was returned with no findings.

[Financial Audit](#) was returned with no findings.

Smaller projects for example painting have at North and South has been completed this summer.

The Classroom technology project has also been completed this last summer.

Larger projects are in the planning phases for example West MPR, Crocker MPR, District Wide HVAC and Roofing, Solar and multiple other projects.

The CBOC will be meeting quarterly and have special meetings as needed to review documents such as Audits and other annual reporting. Additionally, a site visit to construction sites will be held once per year.









## **NOTICE AND AGENDA**

### **CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC) MEETING**

Hillsborough City School District

Jan 26, 2024

Meeting held via Zoom

<https://us06web.zoom.us/j/82370641602?pwd=voPxx3amDpt6Ouh9aVVuvmHGaMdpCC.1>

Meeting ID: 823 7064 1602

Passcode: 485777

### **AGENDA for Jan 26, 2024 12:00pm**

1. Call to Order
2. Roll Call
3. Welcome and Introductions
4. Project Updates
5. Audit Review
6. Financial Review of Measure H
7. Public Address

Items Not On The Agenda For Future Consideration

(Under Government Code 54954.3, members of the public have the right to address the Committee on any matter within the Committee's jurisdiction. However, the Committee may not discuss or take action on any non-agenda item. Individual speakers may be allowed time limit at the discretion of the Committee.)



# **Hillsborough City School District**

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CBOC Presentation  
January 24, 2024

## Proposed: Updated Implementation Plan with Solar

### HCSD Measure H Phase I Implementation Budget

Project Name and Category	Project Budget	Fund 21	Fund 40	Fund 21 (Bond Interest)	Fund 35 (State Funding)
<b>Safe, Cool, Warm and Dry</b>	<b>\$16,700,000.00</b>	<b>\$16,700,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Roofing Repairs (All Sites)	\$8,500,000.00	\$8,500,000.00	\$0.00	\$0.00	\$0.00
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South and North School Painting	\$700,000.00	\$700,000.00	\$0.00	\$0.00	\$0.00
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<b>Totals:</b>	<b>\$71,294,333.80</b>	<b>\$69,432,848.80</b>	<b>\$0.00</b>	<b>\$1,861,485.00</b>	<b>\$0.00</b>
<b>Project Totals:</b>	<b>\$71,294,333.80</b>				
<b>Measure H Funding:</b>	<b>\$69,432,848.80</b>				
<b>Projected Interest Earnings</b>	<b>\$1,861,485.00</b>				
<b>Delta</b>	<b>\$0.00</b>				

# Acomplishments

- Implementation Plan and program budget adopted by the BOT
- Painting Completed at North and South
- Viewboards installed district wide with training completed
- Solar permit for NEM 2.0 recieved
- Low voltage updates completed at all sites
- HVAC assessments have been completed and project design is underway
- Establishment of the architectural pool
- Design for West and Crocker's MPR is well underway
- The design for upgrade school marquee signs is underway and the new signs have been procured
- The design for the West waterline replacement is complete









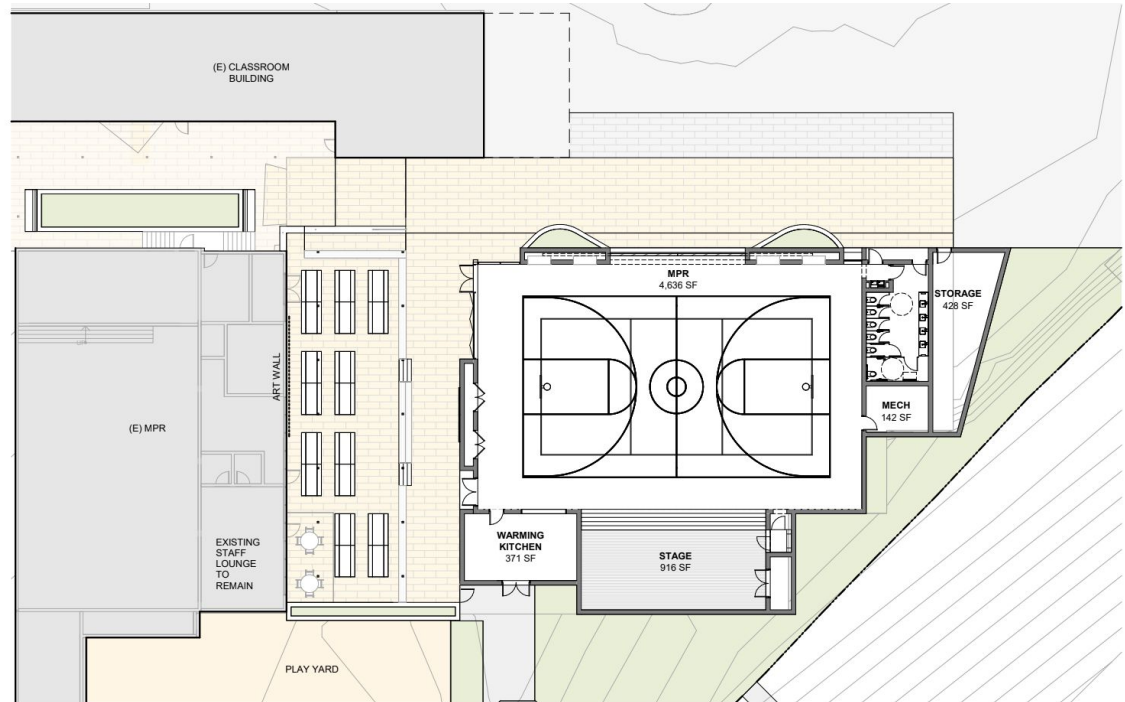






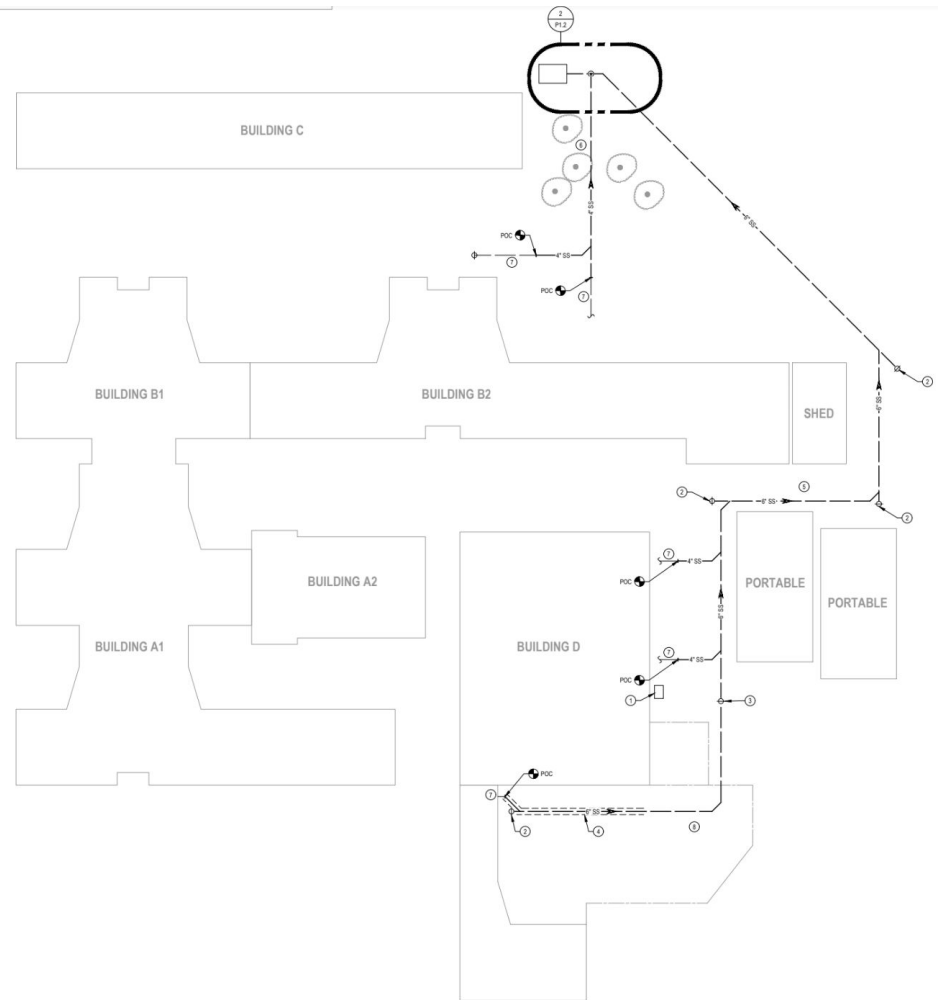
# MPR Updates West & Crocker

- Programing is complete at both sites
- Site committee meetings have been held at both Crocker and West
- West massing is being completed
- Floorplans for Crocker are being reviewed



# West Wasteline Replacement

- Site survey is complete and the assessment of the underground utilities is also completed
- It was discovered the waterlines were failing as well during the assessment
- The design is being closely coordinated with the new MPR
- Replacment of failing pumps is also included in the proposal



# Project Summary Report

Hillsborough City School District

## Measure H Bond

Reporting Period: Inception through 1/24/24

Project Number	Project Name	Bond Budget	Bond Exp. To Date	Encumbered To Date	Budget Remaining	% Complete Construction	% Complete Financial	Cost Status	Sched Status
Safe, Cool, Warm and Dry									
	District Wide Roofing Replacements	\$8,500,000.00	\$26,257.00	\$0.00	\$8,473,743.00	5%	0.31%	<div></div>	<div></div>
	District Wide HVAC Replacement	\$7,000,000.00	\$45,240.00	\$333,958.00	\$6,620,802.00	5%	5.42%	<div></div>	<div></div>
	South and North Painting	\$700,000.00	\$385,867.34	\$17,340.00	\$296,792.66	99%	57.60%	<div></div>	<div></div>
	West Underground Wasteline Repair	\$500,000.00	\$45,230.89	\$53,071.61	\$401,697.50	11%	19.66%	<div></div>	<div></div>
Safe, Cool, Warm and Dry		\$16,700,000.00	\$502,595.23	\$404,369.61	\$15,793,035.16				
Educational Program Support									
	Classroom Furniture Replacement	\$3,000,000.00	\$12,840.00	\$0.00	\$2,987,160.00	1%	0.43%	<div></div>	<div></div>
	Classroom Technology Upgrade	\$1,200,000.00	\$846,286.42	\$106,619.81	\$247,093.77	77%	79.41%	<div></div>	<div></div>
Educational Program Support		\$4,200,000.00	\$859,126.42	\$106,619.81	\$3,234,253.77				
Mdernizations and Renovations									
	Crocker MPR Replacement and Drop Off	\$21,643,483.00	\$105,215.00	\$1,502,495.00	\$20,035,773.00	3%	7.43%	<div></div>	<div></div>
	West New MPR	\$17,000,000.00	\$64,402.50	\$1,386,650.00	\$15,548,947.50	5%	8.54%	<div></div>	<div></div>
	Soth A Pod Finishes Remodel	\$1,000,000.00	\$278,323.65	\$0.00	\$721,676.35	35%	8.92%	<div></div>	<div></div>
	Crocker Synthetic Turf	\$3,500,000.00	\$13,725.00	\$298,550.00	\$3,187,725.00	1%	8.92%	<div></div>	<div></div>
	Solar Energy Projects	\$4,250,850.00	\$40,372.50	\$0	\$4,210,477.50	7%	0.95%	<div></div>	<div></div>
Modernization and Renovations		\$47,394,333.00	\$502,038.65	\$3,187,695.00	\$43,704,599.35				
District-Wide									
	District Bond Management Costs/Contingency	\$3,000,000.00	\$617,789.88	\$70,095.00	\$2,312,115.12				
District-Wide Total:		\$3,000,000.00	\$617,789.88	\$70,095.00	\$2,312,115.12				
Measure H Bond Totals:		\$71,294,333.00	\$2,481,550.18	\$3,768,779.42	\$65,044,003.40				

### Report Notes & Definitions

<b>Bond Expenses To Date:</b>	Represents paid and accrued expenses through the reporting period end date.
<b>% Complete Construction:</b>	Report date vs. construction duration of project.
<b>% Complete Financial:</b>	Bond Expenses to Date divided by Bond Budget.
<b>Funding Sources:</b>	Measure H and Developer Fees

# Project Summary Report

Hillsborough City School District

## Measure H Bond

Reporting Period: Inception through 1/24/24

Rounding factors may apply.

### Project Status Guidelines

**Ok:** Project has normal range of issues.

**Cost (Contingency):** 1 Contingency  $\geq$  5% of Budget Remaining

**Schedule Large Capital Projects (Required Occupancy Date - Forecast Completion Date):**

**Schedule Other Projects (Required Occupancy Date - Forecast Completion Date):**

**Caution:** Project has significant issue(s), however, project team has a solution and/or options.

**Cost (Contingency):** 1 Contingency  $<$  5% and  $\geq$  3% Budget Remaining

2  $>$  2 Months Schedule Contingency

2  $>$  1 Months Schedule Contingency

**Schedule Large Capital Projects (Required Occupancy Date - Forecast Completion Date):**

**Schedule Other Projects (Required Occupancy Date - Forecast Completion Date):**

**Problem:** Project has significant issue(s), without a current or near term solution.

**Cost (Contingency):** 1 Contingency  $<$  3% of Budget Remaining

**Schedule Large Capital Projects (Required Occupancy Date - Forecast Completion Date):**

**Schedule Other Projects (Required Occupancy Date - Forecast Completion Date):**

2  $>$  1 and  $<$  2 Months Schedule Contingency

2  $\sim$  1 Month Schedule Contingency

2  $<$  1 Month Schedule Contingency

2  $<$  2 Weeks Schedule Contingency

**Budget Remaining =** Total Budget – Cost to Date – Encumbered

**2 Forecast Completion Date =** Project is ready to be occupied for its intended purpose (Work is usably complete including equipment installation and outfitting. Some punch list items may remain and financial closeout may still be pending).

As the Bond Programs and the individual Bond Projects move toward close out and the final expenditure of funds, the Project Status Guidelines for a Caution or Problem Project (as defined above) no longer includes the use of Contingency in it's definition since Contingency must be spent for Program/Project closeout.

Budget, cost to date and encumbrance data used to calculate the budget remaining for the Cost Statuses is based on current data as of the run date of this report.

### Problem Project Details

N/A

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
COUNTY OF SAN MATEO  
HILLSBOROUGH, CALIFORNIA

MEASURE H FUND

BOND AUDIT REPORT

For the Year Ended June 30, 2023

\* \* \*



**Chavan & Associates, LLP**  
Certified Public Accountants  
15105 Concord Circle, Ste 130  
Morgan Hill, CA 95037

# HILLSBOROUGH CITY SCHOOL DISTRICT

## Measure H Fund

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Measure H Citizens' Oversight Committee and  
Governing Board Members  
Hillsborough City School District

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Measure H Bond Building Fund of the Hillsborough City School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure H Bond Building Fund of the Hillsborough City School District, as of June 30, 2023, and the changes in financial position thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), 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.

#### *Other Matters*

As discussed in Note 1, the financial statements present only the Measure H Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Hillsborough City School District, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's





ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and GAGAS, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure H Bond Building Fund of Hillsborough City School District's basic financial statements. The Measure H Bond Building Fund Schedule of Expenditures by Site is presented for purposes of additional analysis and is not a required part of the basic financial



statements. The Measure H Bond Building Fund Schedule of Expenditures by Site is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Measure H Bond Building Fund Schedule of Expenditures by Site is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated November 25, 2023, on our consideration of the Hillsborough City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hillsborough City School District's internal control over financial reporting and compliance.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated November 25, 2023, on our consideration of the Measure H Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure H Bond Building Fund for the fiscal year ended June 30, 2023, and should be considered in assessing the results of our financial audit.

*C & A LLP*

November 25, 2023  
Morgan Hill, California

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Balance Sheet**  
**June 30, 2023**

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**Assets**

Cash and investments	\$ 33,352,091
Accounts receivable	<u>260,532</u>

Total Assets	<u><u>\$ 33,612,623</u></u>
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**Liabilities and Fund Balance**

Liabilities:

Accounts payable	<u>\$ 9,553</u>
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Total Liabilities	<u>9,553</u>
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Fund balance:

Restricted for capital projects	<u>33,603,070</u>
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Total Fund Balance	<u>33,603,070</u>
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Total Liabilities and Fund Balance	<u><u>\$ 33,612,623</u></u>
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*The notes to the financial statements are an integral part of this statement.*

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2023**

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Revenues:	
Interest earnings	\$     624,253
	<u>624,253</u>
Total revenues	<u>624,253</u>
Expenditures:	
Classified salaries	593
Classified benefits	239
Supplies and materials	82,098
Contract services	97,028
Capital outlay	542,725
Bond issuance costs	298,500
	<u>298,500</u>
Total expenditures	<u>1,021,183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(396,930)</u>
Other financing sources (uses):	
Proceeds from bond issuance	<u>34,000,000</u>
Total other financing sources (uses)	<u>34,000,000</u>
Net Changes in Fund Balance	33,603,070
Fund Balance Beginning	<u>-</u>
Fund Balance Ending	<u><u>\$   33,603,070</u></u>

*The notes to the financial statements are an integral part of this statement.*

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

A. Accounting Principles

Hillsborough City School District (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 as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees.

A committee to the District's Governing Board and Superintendent, called the Citizens' Bond Oversight Committee was established to inform the public concerning the expenditure and uses of the District's bond measure revenues. The committee's legal charge is to actively review and report on the expenditure of taxpayer money for school construction in accordance with voter approved projects.

The financial statements presented are for the Measure H Fund and are not intended to be a complete presentation of the District's financial position on operations.

C. Basis of Presentation

**Fund Financial Statements**

Fund financial statements report detailed information about the District. The Measure H Fund is reported in the District's Building Fund which is a governmental fund and is presented as a major fund in the District's combined financial statements. The Building Fund is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds such as Measure H general obligation bonds.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance for the Measure H Fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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**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**

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district 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 also be available before it can be recognized.

**Unearned Revenue**

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

**Unavailable Revenue**

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred inflows of resources as unavailable revenue.

**Expenditures**

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. However, under the modified accrual basis of accounting, 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. Budget and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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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 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.

**F. Encumbrances**

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

**G. Assets, Liabilities, and Equity**

**1. Cash and Investments**

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the 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.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

**2. Cash & Cash Equivalents**

The District's cash deposits are considered to be cash on hand and cash in banks. Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

**3. Investments**

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

4. Long-Term Liabilities

In the Measure H Fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses. Long-term liabilities are not reported in the balance sheet.

5. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent.



**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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- Unassigned includes positive fund balance that has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

6. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – CASH AND INVESTMENTS**

*Summary of Deposits*

A summary of deposits as of June 30, 2023, is as follows:

	Carrying Amount	Fair Value
Cash in county treasury investment pool	\$ 33,352,091	\$ 32,401,556

*Fair Value Measurements*

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2023:

Investments in the San Mateo County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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*Policies and Practices*

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

*Risk Disclosures*

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the San Mateo County Investment Pool. The pool has a fair value of approximately \$2.436 billion and an amortized book value of \$2.507 billion.

- *Credit Risk*

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the County of San Mateo Investment Pool is rated at least A-1 by Standard and Poor's Investor Service.

- *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). 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 public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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- *Concentration of Credit Risk*

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – MEASURE H GENERAL OBLIGATION BOND**

The following schedule summarizes the District’s Measure H general obligation bonds as of June 30, 2023:

Description	Maturity	Interest Rate %	Original Issue	Bonds			Bonds
	Date Sept 1,			Outstanding July 01, 2022	Issued	Redeemed	Outstanding June 30, 2023
2022 GOB Series A	2052	4-5	\$34,000,000	\$ -	\$34,000,000	\$ -	\$ 34,000,000
Bond Premium					1,616,063		1,616,063
Total General Obligation Bonds			\$34,000,000	\$ -	\$35,616,063	\$ -	\$ 35,616,063

The District received authorization at an election held on June 7, 2022 to issue bonds of the District in an aggregate principal amount not to exceed \$140,000,000 to finance renovation, construction and improvement of school facilities projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2022 Authorization).

In August 2022, the District issued \$34,000,000 of General Obligation Bonds, Series A for the purpose of financing the renovation, construction, and improvement of school facilities. From the gross proceeds of \$34,000,000, which included a premium of \$1,616,063, \$33,701,500 was deposited into the building fund. The Bonds are the first series of bonds to be issued under the 2022 Bond authorization.

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, to modernize, replace, renovate, construct, equip, furnish and otherwise improve facilities of the District located at all three elementary school sites, at the middle school site and at the District administrative offices.

The Bonds are payable solely from ad valorem property taxes levied and collected by the County of San Mateo. The Board of Supervisors of the County has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, upon all property subject to taxation by the District without limitation or rate or amount (except certain personal property which is taxable at limited rates).

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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The following is a summary of the annual debt service requirements as of June 30, 2023:

Year Ending June 30,	Principal	Interest	Total
2024	\$ -	\$ 2,257,956	\$ 2,257,956
2025	2,300,000	1,505,700	3,805,700
2026	-	1,448,200	1,448,200
2027	-	1,448,200	1,448,200
2028	-	1,448,200	1,448,200
2029-2033	-	7,241,000	7,241,000
2034-2038	-	7,241,000	7,241,000
2039-2043	4,925,000	6,789,125	11,714,125
2044-2048	10,340,000	4,822,750	15,162,750
2049-2053	16,435,000	1,764,475	18,199,475
Total Debt Service	<u>\$ 34,000,000</u>	<u>\$ 35,966,606</u>	<u>\$ 69,966,606</u>

**NOTE 4 – COMMITMENTS**

As of June 30, 2023, the District had encumbered \$6,840,358 of the Measure H Fund proceeds to be spent on capital projects.

## **SUPPLEMENTARY INFORMATION**

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Schedule of Expenditures by Site**  
**For the Fiscal Year Ended June 30, 2023**

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**Expenditures by Site:**

North Hillsborough School	\$ 59,824
South Hillsborough School	91,346
West Hillsborough School	86,211
William H. Crocker Middle School	89,328
Office	832
District Wide	395,142
Bond issuance costs	298,500
	<hr/>
Total Expenditures	<u>\$ 1,021,183</u>

*The notes to Measure H Fund program schedule are an integral part of this schedule.*

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to Measure H Fund Program Schedule**  
**For the Fiscal Year Ended June 30, 2023**

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**NOTE 1 - THE PROGRAM**

Proposition 39 was enacted by the voters on November 7, 2000 and changed the required majority for local voter approval of public school and community college general obligation bonds from two-thirds to fifty-five percent of votes. It also required school districts to provide facilities to charter schools operating within their jurisdictions.

On June 7, 2022, 61% of local voters approved the Hillsborough City School District's ("the District") Measure H. Measure H authorized the District to issue bonds in an amount not to exceed \$140,000,000 principal amount of general obligation bonds to modernize, replace, renovate, construct, equip, furnish and otherwise improve facilities of the District located at all three elementary school sites, at the middle school site and at the District administrative offices.

As of June 30, 2023, the District had issued \$34,000,000 of the authorized bonds for Measure H with \$106,000,000 remaining to be issued.

**NOTE 2 - ORGANIZATION**

The Hillsborough City School District was originally established August 14, 1911. The District is located in San Mateo County and there were no changes in District boundaries during the year. The District maintains three elementary schools and one middle school.

The Board of Education for the fiscal year ended June 30, 2023, was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
An Huang Chen	President	December 2026
Kim Oliff	Vice President	December 2024
Greg Dannis	Clerk	December 2024
Gilbert Wai	Member	December 2026
Don Geddis	Member	December 2026

**NOTE 3 - CITIZENS' OVERSIGHT COMMITTEE**

Duties of the committee include verifying that bond revenues were expended 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. The committee must also verify that no funds were used for any teacher or administrative salaries or other school operation expenses.

Furthermore, the committee is authorized to receive, and review copies of the annual independent performance audit and the annual independent financial audit required by Article XIII A, Section 1(b)(3)(C) and Article XIII A, Section 1(b)(3)(D), respectively, of the California Constitution.

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Notes to Measure H Fund Program Schedule**  
**For the Fiscal Year Ended June 30, 2023**

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On February 15, 2023, Hillsborough City School District's Board of Education appointed the 2002 Bond Measure B Citizens' Bond Oversight Committee for all current and future bond measures, including 2022 Bond Measure H.

The Citizens' Oversight Committee was formed by the Board trustees as required by State law. During the fiscal year ended June 30, 2023, the District was unable to fill all the committee positions, however, as required by Article XIII A, the District was actively seeking to fill these roles and publicly posted the vacancies. The Citizens' Oversight Committee is comprised of the following members as of June 30, 2023:

<u>Name</u>	<u>Title/Function</u>	<u>Term Expires</u>
Rittenberg, Alan	Parent/Guardian and At-Large Community Member	June 2023
Heston, Sara	Parent/Guardian and At-Large Community Member	January 2025
Macaluso, Mairin	Parent/Guardian, Active in PG Group and At-Large Community Member	June 2023
Patel, Kirsten	Parent/Guardian, Active in PG Group and At-Large Community Member	June 2023
Feldman, Bonnie	Parent/Guardian, Active in PG Group and At-Large Community Member	January 2025
Vacancy	Senior Citizens' Organization Member	N/A
Vacancy	Business Organization Member	N/A
Vacancy	Bona Fide Taxpayers' Organization Member	N/A



**SCHEDULE OF FINDINGS  
AND  
RECOMMENDATIONS**

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Schedule of Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2023**

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This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Our tests resulted in no findings and recommendations.

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Measure H Fund**  
**Status of Prior Year Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2023**

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N/A, fiscal year 2023 is the first year of Measure H audit. Hence, there are no prior year findings and recommendations to be reported.

**OTHER INDEPENDENT AUDITOR'S  
REPORTS**



**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**

Measure H Citizens' Oversight Committee and  
Governing Board Members  
Hillsborough City School District

We have audited, 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, the financial statements of the Measure H Fund of the Hillsborough City School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Hillsborough City School District's Measure H Fund financial statements, and have issued our report thereon dated November 25, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Hillsborough City School District's internal control over financial reporting (internal control) as a basis for designing 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 Hillsborough City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hillsborough City School 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 Hillsborough City School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Hillsborough City School District's 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 Hillsborough City School 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 Hillsborough City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 25, 2023  
Morgan Hill, California



## **INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE**

Measure H Citizens' Oversight Committee and  
Governing Board Members  
Hillsborough City School District

### ***Performance Audit***

We were engaged to conduct a performance audit of the Hillsborough City School District (District) Measure H Fund (Fund) for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the 2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

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

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

This report is intended solely for the information and use of the District and is not intended to be, and should not be used by, anyone other than the specified party.



### ***Auditor Objectives***

Our audit included the following objectives:

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the Measure H, and verify that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.
2. Determine whether salary transactions charged to the Fund were in support of Measure H and not for District general administration or operations, and verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

### ***Scope***

The scope of our performance audit covered the period of July 1, 2022 to June 30, 2023. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2023 were not reviewed or included within the scope of our audit or in this report.

### ***Methodology***

To meet the objectives of our performance audit, procedures we performed included, the following methodology:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes, including transfers out.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2022 through June 30, 2023 from Measure H bond proceeds.
  - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified as individual transactions (expenditures) that exceeded approximately 5% of the total expenditures incurred.
  - d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2022 and ending June 30, 2023.





3. We examined 89% of all expenditures within the bond program to ensure they were valid, allowable, accurate, charged to the facilities projects, and expended on specific projects listed in the text of the applicable ballot measure by vouching the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District
4. We verified that salary transactions charged to the Fund were in support of Measure H and not for District general administration or operations, and verified that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General by vouching to supporting records such as offer letter, position control reports, timecards and payroll reports.
5. We verified that the District was in compliance with Assembly Bill 1908 and Ed Code Section 15278, where the District is required to establish a bond oversight committee for Proposition 39 bonds that includes one active member from each of the following sectors: a business organization, senior citizens' organization, bona fide taxpayer's association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.
6. We verified the Citizens' Oversight Committee met pursuant to Education Code Section 15280.

### ***Conclusion***

We did not identify any exceptions to the procedures performed above, in all significant respects. Based on the procedures performed, the District has properly accounted for the expenditures held in the Measure H Fund and that such expenditures were made for authorized bond projects. Our audit was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of nonperformance.

*C & A LLP*

November 25, 2023  
Morgan Hill, California