HILLSBOROUGH CITY SCHOOL DISTRICT
COUNTY OF SAN MATEO
HILLSBOROUGH, CALIFORNIA

AUDIT REPORT

JUNE 30, 2024

Chavan & Associates, LLP
Certified Public Accountants
16450 Monterey Road, Ste. 5
Morgan Hill, CA 95037

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Hillsborough City School District
County of San Mateo

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Hillsborough City School District
Hillsborough, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsborough City School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows 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*, 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

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

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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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP) - General Fund, schedule of CalPERS pension plan contributions, schedule of CalPERS proportionate share of net pension liabilities, schedule of

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STRS pension plan contributions, schedule of STRS proportionate share of net pension liabilities, and schedule of changes in total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the *Governmental Accounting Standards Board*; schedule of average daily attendance, schedule of instructional time, schedule of charter schools, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information 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. This 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial report. The other information comprises the organization schedule and schedule of financial trends and analysis but does not include the basic financial statements and our auditor's report thereon. Our

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opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2024 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 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 District's internal control over financial reporting and compliance.

C & A LLP

November 1, 2024
Morgan Hill, California

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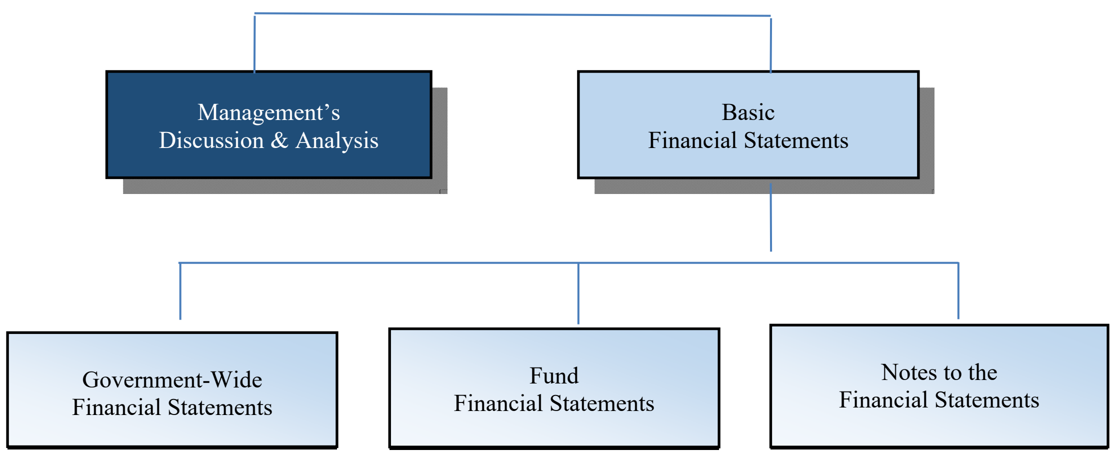
Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2024 were as follows:

- Total net position increased by $282,471, or .54%, which included a decrease in unrestricted net position of $3,968,581, from June 30, 2023 to June 30, 2024, mainly due to changes in assumptions and adjustments in employee benefit plans.
- The District reported deferred outflows of resources of $21,584,726 and deferred inflows of resources of $6,615,460 as required by GASB pension and OPEB accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had $49,915,645 in government-wide expenses which is 99.77% of total government-wide revenues as compared to 102.21% in the prior year. Program specific revenues in the form of operating grants and contributions and charges for services accounted for $5,942,802, or 11.88%, of total revenues of $50,031,450.
- General revenue of $44,088,648 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 88.12% of total revenues in 2024 versus 83.39% in 2023.
- The fund balances of all governmental funds increased by $48,213,332, which is a 1.7% increase from 2023.
- Total governmental fund revenues and expenditures totaled $50,183,812 and $49,841,520, respectively.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2023 - 2024?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund, Special Reserve for Capital Outlay Fund and the Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2024 as compared to June 30, 2023: During the year, total assets increased by 3.87%, deferred outflows of resources decreased by .15%, total liabilities increased by 4.16%, and deferred inflows of resources decreased by 32.95%.

Table 1 - Summary of Statement of Net Position

Description	2024	2023	Change	Percentage Change
Assets				
Current Assets	$ 50,058,190	$ 48,541,562	$ 1,516,628	3.12%
Capital Assets	44,377,091	42,374,046	2,003,045	4.73%
Total Assets	**$ 94,435,281**	**$ 90,915,608**	**$ 3,519,673**	**3.87%**
Total Deferred Outflows of Resources	**$ 21,584,726**	**$ 21,616,501**	**$ (31,775)**	**-0.15%**
Liabilities				
Current Liabilities	$ 3,605,034	$ 2,698,660	$ 906,374	33.59%
Long-term Liabilities	158,203,770	152,653,179	5,550,591	3.64%
Total Liabilities	**$ 161,808,804**	**$ 155,351,839**	**$ 6,456,965**	**4.16%**
Total Deferred Inflows of Resources	**$ 6,615,460**	**$ 9,866,998**	**$ (3,251,538)**	**-32.95%**
Net Position				
Net Investment in Capital Assets	$ (15,537,277)	$ (17,270,774)	$ 1,733,497	10.04%
Restricted	9,092,937	6,575,382	2,517,555	38.29%
Unrestricted	(45,959,917)	(41,991,336)	(3,968,581)	-9.45%
Total Net Position	**$ (52,404,257)**	**$ (52,686,728)**	**$ 282,471**	**0.54%**

Current liabilities increased by 33.59% mostly from construction related accounts payable. Defined benefit plans experienced investment returns below estimates during the measurement period, which lead to the 32.95% decrease in deferred inflows of resources and contributed to the 3.64% increase in long-term liabilities.

Table 2 shows the changes in net position for fiscal year 2024 as compared to 2023:

Table 2 - Summary of Changes in Statement of Activities

Description	2024	2023	Change	Percentage Change
Revenues				
Program revenues	$ 5,942,802	$ 7,258,394	$ (1,315,592)	-18.13%
General revenues:				
Property taxes	38,043,836	32,390,229	5,653,607	17.45%
Grants and entitlements - unrestricted	836,372	868,378	(32,006)	-3.69%
Other	5,208,440	3,188,985	2,019,455	63.33%
Total Revenues	50,031,450	43,705,986	6,325,464	14.47%
Program Expenses				
Instruction	28,286,174	27,398,644	887,530	3.24%
Instruction-related services	4,096,721	3,791,543	305,178	8.05%
Pupil services	2,371,265	2,251,030	120,235	5.34%
General administration	2,949,670	2,696,842	252,828	9.37%
Plant services	3,330,030	3,269,748	60,282	1.84%
Community services	443,381	414,068	29,313	7.08%
Other outgo	157,165	90,234	66,931	74.17%
Interest on long-term debt	8,281,239	4,760,434	3,520,805	73.96%
Total Expenses	49,915,645	44,672,543	5,243,102	11.74%
Change in Net Position	115,805	(966,557)	1,082,362	111.98%
Beginning Net Position	(52,686,728)	(51,720,171)	(966,557)	-1.87%
Prior Period Restatements	166,666	-	166,666	100.00%
Ending Net Position	**$ (52,404,257)**	**$ (52,686,728)**	**$ 282,471**	**0.54%**

The District's expenses for instructional services were 64.88% of total expenses in 2023-24 as compared to 69.82% in 2022-23. The purely administrative activities of the District accounted for 5.91% of total costs in 2023-24 as compared to 6.04% in 2022-23. Interest on long-term debt represented 16.59% of total expenses in 2023-24 as compared to 10.66% in 2022-23. Total expenses were 99.77% of revenue in 2023-24 versus 102.21% in 2022-23, which is reflected in the surplus change in net position of $115,805 in 2023-24 versus a deficit change in net position of $966,557 in 2022-23. Program revenues were 11.88% of total revenues in 2023-24 and 16.61% of total revenues in 2022-23.

GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services

Description	2024	2023	Change	Percentage Change
Instruction	$ 24,361,951	$ 22,970,368	$ 1,391,583	6.06%
Instruction-related services	3,891,905	3,594,426	297,479	8.28%
Pupil services	1,633,197	1,402,902	230,295	16.42%
General administration	2,909,102	2,659,989	249,113	9.37%
Plant services	3,327,144	3,258,113	69,031	2.12%
Community services	427,576	399,935	27,641	6.91%
Other outgo	(859,271)	(1,632,018)	772,747	-89.93%
Interest on long-term debt	8,281,239	4,760,434	3,520,805	73.96%
Total Net Cost of Services	**$ 43,972,843**	**$ 37,414,149**	**$ 6,558,694**	**17.53%**

Instruction expenditures include activities directly dealing with the teaching of pupils.

Instruction-related Services include the activities involved with assisting staff with the content and process of educating students.

Pupil Services include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.

General Administration reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.

Plant Services involve keeping the school grounds, buildings, and equipment in effective working condition.

Community Services represent the expenditures associated with local recreation programs and activities.

Other Outgo includes tuitions and transfers of resources between the District and other educational agencies for services provided to District students.

THE DISTRICT'S FUNDS

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

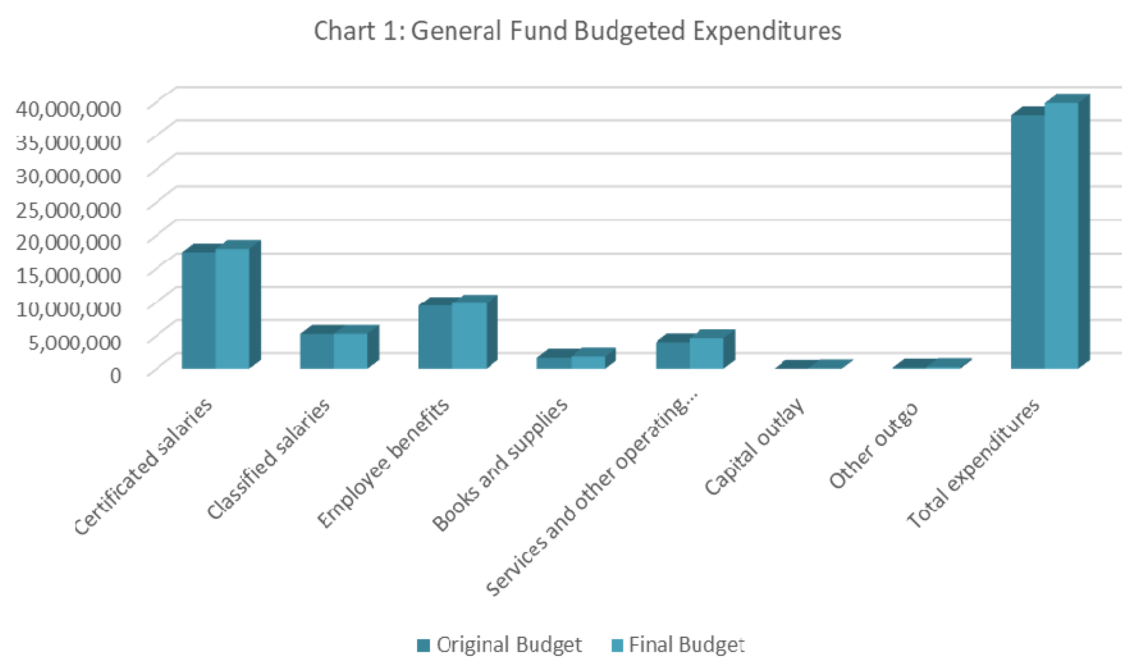
Table 4 - Summary of Fund Balances

Description	2024	2023	Change	Percentage Change
General Fund	$ 8,535,926	$ 7,834,278	$ 701,648	9.0%
Building Fund	31,067,880	33,603,070	(2,535,190)	-7.5%
Special Reserve Fund for Capital Outlay	368,435	182,450	185,985	101.9%
Bond Interest and Redemption Fund	7,973,845	5,293,434	2,680,411	50.6%
Nonmajor Funds	267,246	507,512	(240,266)	-47.3%
Total Fund Balances	**$ 48,213,332**	**$ 47,420,744**	**$ 792,588**	**1.7%**

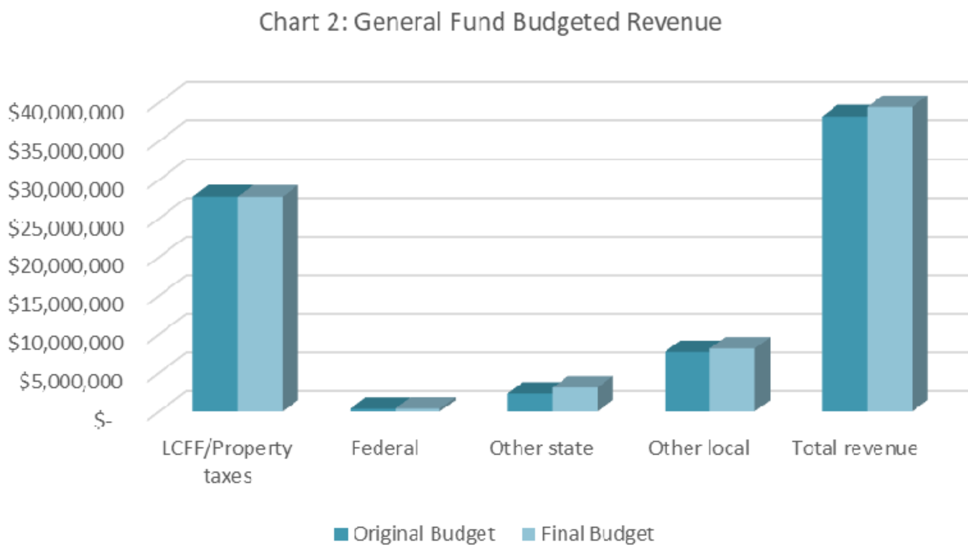
FINANCIAL ANALYSIS OF THE GENERAL FUND AND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2023-24 fiscal year, the District revised its General Fund budget three times, at 1st Interim and 2nd interim, and year-end. The overall increase in expenditures of $1,784,914 was due to increases in salaries, benefits, supplies and services. The General Fund budget basis revenue increased by $1,209,286 from original to final budgets.

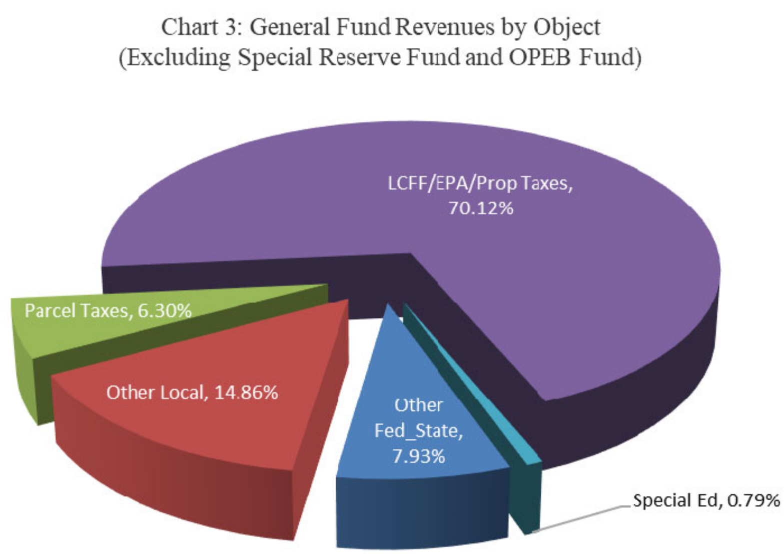
The following summarizes the District's budgeted expenditures in the General Fund (including funds 01, 17 and 20).



The following summarizes the District's budgeted revenue in the General Fund:

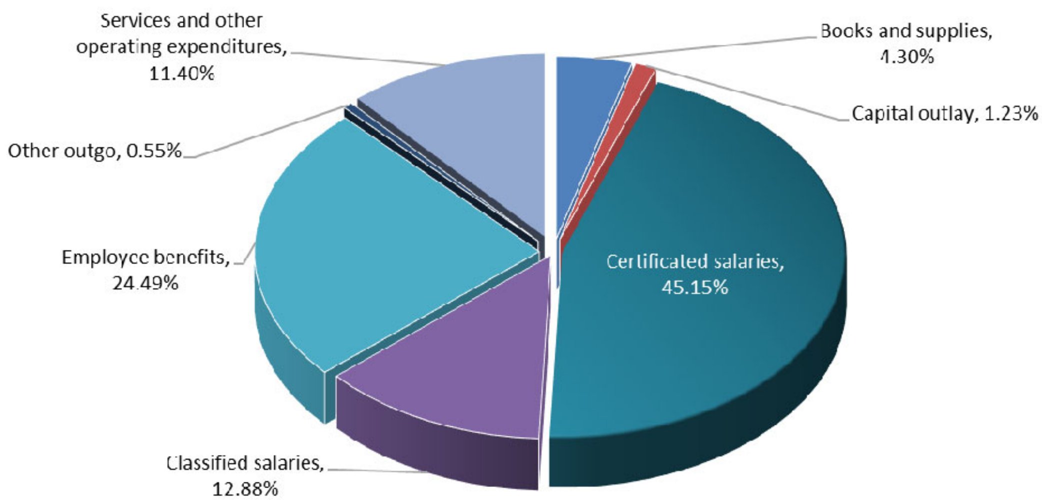


The District is community-funded basic aid, which means that the District relies on local property taxes rather than State aid for revenue. Total General Fund revenues for 2023-24 increased 3.87% from the prior year to $39,876,609. Total LCFF sources increased by $1,495,295 from prior year, almost all from local property taxes. Special Education funding increased by $35,049. Total other federal and state resources decreased by $395,210 from prior year, which is net the increase of $93,722 set aside from District's STRS on-behalf amounts of $1,620,222 in 2022-23 to $1,713,944 in 2023-24. In other words, the District's actual other federal and state resources decreased by $488,932 from prior year. Locally generated revenues amounted to 91% of the District's total revenues. It's important to note that the following pie charts only include fund 01, the general operating fund of the District, whereas the General Fund as included in the audited basic financial statements, required supplementary information, supplementary information and state compliance information presented elsewhere in this report, includes fund 01, fund 17 (Special Reserve fund for Other Than Capital Outlay Projects) and fund 20 (OPEB Fund) as required by GASB 54.



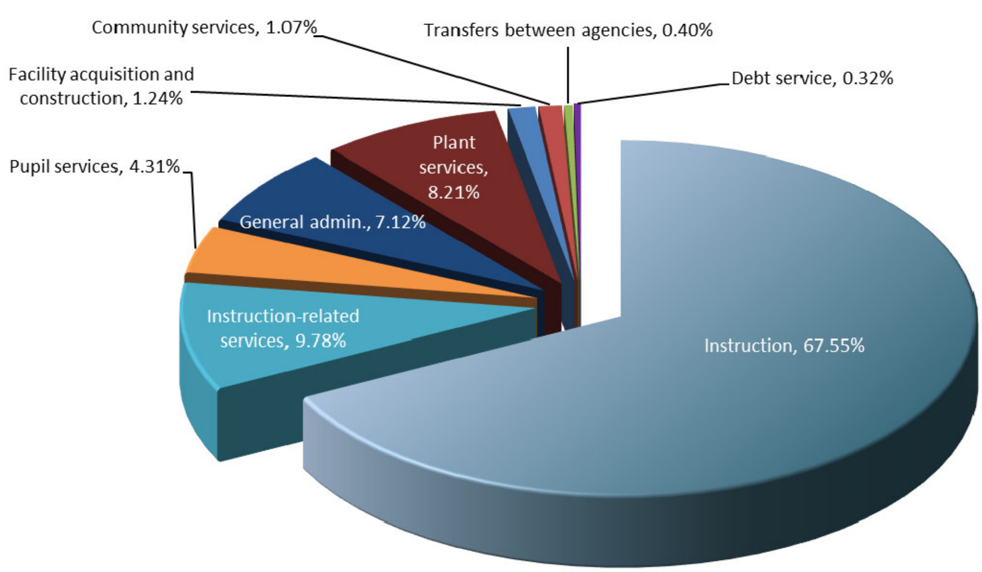
Expenditures increased 3.7% over the prior year. As is common with virtually all school districts, the majority of expenditures in the General Fund were for salaries and benefits. Of the $39,628,903 expended during 2023-24, 82.52% was spent on salaries and benefits. See the charts below for a breakdown of general fund expenditures by Object.

Chart 4: General Fund Expenditures by Object
(Excluding Special Reserve Fund and OPEB Fund)



As seen in the chart below, the District spent 77.32% of total general fund expenditures on instruction and instruction-related activities.

Chart 5: General Fund Expenditures by Function
(Excluding Special Reserve Fund and OPEB Fund)



CAPITAL ASSETS

Table 5 summarizes the District's capital assets over the past two years.

Table 5 - Summary of Capital Assets Net of Depreciation

Description	2024	2023	Change	Percentage Change
Land	$ 228,711	$ 228,711	$ -	0.00%
Work-in-Progress	3,614,522	1,246,559	2,367,963	189.96%
Subscription Right of Uses Assets	412,742	71,353	341,389	478.45%
Land Improvements	477,240	406,788	70,452	17.32%
Buildings and Improvements	36,356,807	37,924,986	(1,568,179)	-4.13%
Equipment	3,287,069	2,495,649	791,420	31.71%
Total Capital Assets - Net	**$ 44,377,091**	**$ 42,374,046**	**$ 2,003,045**	**4.73%**

LONG TERM LIABILITIES

Table 6 summarizes the District's long-term liabilities over the past two years.

Table 6 - Summary of Long-term Liabilities

Description	2024	2023	Change	Percentage Change
General Obligation Bonds	$ 119,809,684	$ 117,565,744	$ 2,243,940	1.91%
Subscription Liabilities	391,582	67,447	324,135	480.58%
Net Pension Liabilities	33,517,522	30,437,216	3,080,306	10.12%
Total OPEB Liability	4,130,749	4,314,532	(183,783)	-4.26%
Compensated Absences	354,233	268,240	85,993	32.06%
Total Long-term Liabilities	**$ 158,203,770**	**$ 152,653,179**	**$ 5,550,591**	**3.64%**

FACTORS BEARING ON THE DISTRICT'S FUTURE

As a basic aid district, we must always be on guard to any hint of State action to claim property tax revenues over the LCFF. The cost to fight this threat takes time and effort and detracts from educating children. Furthermore, it creates an unhealthy environment where children and parents are worried about cuts to educational programs and staff is worried about job security. The District must always be in a position to recover from any negative impact imposed by the State and has always taken the conservative approach to budgeting and having sufficient reserves.

The District is ever aware of its reliance on local support. Of total revenues, 10.8% is voluntarily generated (above any assessed taxes) from parents and the community. This revenue source must continue in order to maintain programs as they currently exist.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Business Office, Hillsborough City School District, 300 El Cerrito Avenue, Hillsborough, CA 94010.

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Basic Financial Statements

Hillsborough City School District

Statement of Net Position

June 30, 2024

	Governmental Activities
Assets	
Cash and investments	$ 48,065,228
Receivables	1,338,276
Prepaid expenses	355,643
Leases receivable	299,043
Capital assets - net	44,377,091
Total Assets	$ 94,435,281
Deferred Outflows of Resources	
Pension adjustments	$ 10,881,627
OPEB adjustments	1,300,564
Deferred loss on early retirement of long-term debt	9,402,535
Total Deferred Outflows of Resources	$ 21,584,726
Liabilities	
Accounts payable	$ 1,559,034
Accrued interest	2,046,000
Long-term liabilities:	
Due within one year	4,807,688
Due after one year	153,396,082
Total Liabilities	$ 161,808,804
Deferred Inflows of Resources	
Pension adjustments	$ 2,485,012
Leases	438,187
OPEB adjustments	3,692,261
Total Deferred Inflows of Resources	$ 6,615,460
Net Position	
Net investment in capital assets	$ (15,537,277)
Restricted for:	
Educational programs	851,846
Debt service	7,973,845
Capital projects	266,488
Cafeteria programs	758
Unrestricted	(45,959,917)
Total Net Position	$ (52,404,257)

The notes to basic financial statements are an integral part of this statement

Hillsborough City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2024

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction	$ 28,286,174	$ 220,091	$ 3,704,132	$ (24,361,951)
Instruction-related services:				
Supervision of instruction	1,880,781	8,043	101,162	(1,771,576)
Instruction library, media and technology	168,223	142	1,511	(166,570)
School site administration	2,047,717	84	93,874	(1,953,759)
Pupil services:				
Home-to-school transportation	98,011	1,168	-	(96,843)
Food services	610,362	-	505,650	(104,712)
All other pupil services	1,662,892	2,486	228,764	(1,431,642)
General administration:				
Data processing	616,145	-	-	(616,145)
All other general administration	2,333,525	-	40,568	(2,292,957)
Plant services	3,330,030	-	2,886	(3,327,144)
Community services	443,381	-	15,805	(427,576)
Other outgo	157,165	111,760	904,676	859,271
Interest on long-term debt	8,281,239	-	-	(8,281,239)
Total governmental activities	$ 49,915,645	$ 343,774	$ 5,599,028	(43,972,843)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				27,543,564
Taxes levied for debt service				7,987,432
Taxes levied for other specific purposes				2,512,840
Federal and state aid not restricted to specific purposes				836,372
Interest and investment earnings				1,659,977
Miscellaneous				3,548,463
Total general revenues				44,088,648
Change in net position				115,805
Net position beginning				(52,686,728)
Prior period restatement - leases				166,666
Net position beginning, as adjusted				(52,520,062)
Net position ending				$ (52,404,257)

The notes to basic financial statements are an integral part of this statement

Hillsborough City School District
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	$ 8,036,012	$ 31,499,907	$ 351,771	$ 7,905,632	$ 271,906	$ 48,065,228
Accounts receivable	884,624	310,846	3,445	68,213	71,148	1,338,276
Due from other funds	75,000	-	-	-	-	75,000
Leases receivable	-	-	299,043	-	-	299,043
Prepaid expenses	355,643	-	-	-	-	355,643
Total Assets	$ 9,351,279	$ 31,810,753	$ 654,259	$ 7,973,845	$ 343,054	$ 50,133,190
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	$ 815,353	$ 742,873	$ -	$ -	$ 808	$ 1,559,034
Due to other funds	-	-	-	-	75,000	75,000
Total Liabilities	815,353	742,873	-	-	75,808	1,634,034
Deferred Inflows of Resources:						
Leases	-	-	285,824	-	-	285,824
Fund balances:						
Nonspendable:						
Revolving fund	5,000	-	-	-	-	5,000
Leases	-	-	13,219	-	-	13,219
Prepaid expenditures	355,643	-	-	-	-	355,643
Restricted:						
Educational programs	851,846	-	-	-	-	851,846
Cafeteria programs	-	-	-	-	758	758
Debt service	-	-	-	7,973,845	-	7,973,845
Capital projects	-	31,067,880	-	-	266,488	31,334,368
Committed:						
Deferred maintenance	-	-	355,216	-	-	355,216
Compensated absences	354,233	-	-	-	-	354,233
Crocker turf project	281,700	-	-	-	-	281,700
Stabilization arrangements	622,842	-	-	-	-	622,842
OPEB	1,597,840	-	-	-	-	1,597,840
Unassigned:						
Economic uncertainties	2,361,456	-	-	-	-	2,361,456
Unappropriated	2,105,366	-	-	-	-	2,105,366
Total Fund Balances	8,535,926	31,067,880	368,435	7,973,845	267,246	48,213,332
Total Liabilities and Fund Balances	$ 9,351,279	$ 31,810,753	$ 654,259	$ 7,973,845	$ 343,054	$ 50,133,190

The notes to basic financial statements are an integral part of this statement

Hillsborough City School District

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2024

Total fund balances - governmental funds		$ 48,213,332
Capital assets for governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of assets		90,804,167
Accumulated depreciation/amortization		(46,427,076)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The accrued interest at the end of the period was:		(2,046,000)
Deferred inflows from prepaid deferred leases are recognized in the funds when measureable and available. However, in the statement of activities, the revenue is recognized over the lease term.		(152,363)
The differences between projected and actual amounts in pension and OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:		
Pension adjustments:		
Difference between actual and expected experience		862,351
Difference between actual and expected earnings		1,220,109
Change in assumptions		599,562
Differences in proportionate share of contributions		(625,777)
Changes in employer's proportionate shares		1,576,392
Contribution subsequent to measurement date		4,763,978
OPEB adjustments:		
Difference between actual and expected experience		(2,440,969)
OPEB change in assumptions		49,272
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds	$ 119,809,684	
Loss on early retirement of long-term debt	(9,402,535)	
Subscription liabilities	391,582	
Net pension liabilities	33,517,522	
Total OPEB liability	4,130,749	
Compensated absences	354,233	(148,801,235)
Total net position - governmental activities		$ (52,404,257)

The notes to basic financial statements are an integral part of this statement

Hillsborough City School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2024

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
LCFF/Property Taxes	$27,962,712	$ -	$ -	$ -	$ -	$27,962,712
Federal	375,367	-	-	-	61,336	436,703
Other state	3,101,112	-	-	9,890	401,049	3,512,051
Other local	8,514,665	1,156,057	$ 256,384	8,134,100	211,140	18,272,346
Total revenues	39,953,856	1,156,057	256,384	8,143,990	673,525	50,183,812
Expenditures:						
Instruction	26,772,138	-	-	-	-	26,772,138
Instruction-related services:						
Supervision of instruction	1,782,894	-	-	-	-	1,782,894
Instruction library, media and tech.	156,481	-	-	-	-	156,481
School site administration	1,935,180	-	-	-	-	1,935,180
Pupil services:						
Home-to-school transportation	83,480	-	-	-	-	83,480
Food services	16,086	-	-	-	605,311	621,397
All other pupil services	1,607,070	-	-	-	-	1,607,070
General administration:						
Data processing	589,158	-	-	-	-	589,158
All other general administration	2,233,979	-	-	-	-	2,233,979
Plant services	3,252,174			-	-	3,252,174
Facility acquisition and construction	493,101	3,691,247	-	-	452,480	4,636,828
Community services	422,078	-	-	-	-	422,078
Transfers between agencies	157,575	-	-	-	-	157,575
Debt service:						
Principal	126,160	-	-	2,311,422	-	2,437,582
Interest and fees	1,349	-	-	3,152,157	-	3,153,506
Total expenditures	39,628,903	3,691,247	-	5,463,579	1,057,791	49,841,520
Excess (deficiency) of revenues over (under) expenditures	324,953	(2,535,190)	256,384	2,680,411	(384,266)	342,292
Other financing sources (uses):						
Transfers in	80,000	-	9,601	-	144,000	233,601
Transfers out	(153,601)	-	(80,000)	-	-	(233,601)
Subscriptions	450,296	-	-	-	-	450,296
Total other financing sources (uses)	376,695	-	(70,399)	-	144,000	450,296
Changes in fund balances	701,648	(2,535,190)	185,985	2,680,411	(240,266)	792,588
Fund balances beginning	7,834,278	33,603,070	15,784	5,293,434	507,512	47,254,078
Prior Period Restatement - leases	-	-	166,666	-	-	166,666
Fund balances beginning - restated	7,834,278	33,603,070	182,450	5,293,434	507,512	47,420,744
Fund balances ending	$ 8,535,926	$31,067,880	$ 368,435	$7,973,845	$ 267,246	$48,213,332

The notes to basic financial statements are an integral part of this statement

Hillsborough City School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Fiscal Year Ended June 30, 2024

Total net change in fund balances - governmental funds		$ 792,588
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities , the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Asset additions		4,739,947
Depreciation/amortization expense		(2,732,601)
The governmental funds report long-term debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of prepaid issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
General obligation bond principal	$ 2,311,422	
Amortization of bond premiums	53,869	
Subscription liabilities principal	126,160	
New Subcsription liabilities	(450,296)	
Amortization of loss on refunding	(463,371)	
Accreted Interest	(4,609,231)	(3,031,447)
Lease revenue from prepaid deferred leases are recognized in the funds when measureable and available. However, in the statement of activities, the revenue is recognized over the lease term.		(152,363)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(109,000)
In governmental funds, adjustments to pension plan estimates are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		591,583
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was less than vacation used.		(85,993)
In governmental funds, adjustments to OPEB plan estimates are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		103,091
Change in net position of governmental activities		$ 115,805

The notes to basic financial statements are an integral part of this statement

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Notes to the Basic Financial Statements

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 account 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 Hillsborough City School District was organized on August 14, 1911, under the laws of the State of California. 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. The District's combined financial statements include the accounts of all its operations. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The financial reporting entity only consists of the primary government, the District.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund of activities. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

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 and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present 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. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. 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 accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding which is reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the District’s benefit plans liability reported which is in the Statement of Net Position.

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 been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. 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, 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 or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve for Retiree Benefits Fund, are currently defined as a special revenue funds in the California State Accounting Manual (CSAM), but do not meet the GASB Statement No. 54 special revenue fund definition. While these funds are authorized by statute and will remain open for internal reporting purposes, they function as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Special Reserve Fund for Capital Outlay Projects* is used to account for general fund resources accumulated for capital outlay.

The *Bond Interest and Redemption Fund* is used to account for taxes received and expended on interest and the redemption of principal of general obligation bonds.

F. Budgets 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 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 during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

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.

G. 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.

H. Benefit Plans

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and STRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used for the CalPERS and STRS valuations:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

For this period, the following time frames were used for the defined contribution plan which is follows the guidance of GASB 73:

Valuation Date	July 1, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports.

Valuation Date	July 1, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

I. Assets, Liabilities, and Equity

a) 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.

The county is authorized to deposit cash and invest excess funds by California Government Code Section '53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

b) Fair Value Measurements

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.

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.

c) Inventories

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets. The District’s inventory is valued at a moving average cost and consists of expendable supplies held for consumption.

d) Prepaid Items

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Position.

e) Leases Receivable

The District’s leases receivable are measured at the present value of lease payments expected to be received during the lease terms. The present value, net of accumulated amortization, is reported as deferred inflows of resources is recorded for leases. Deferred inflows of resources are recorded at the initiation of the leases in an amount equal to the initial recording of the leases receivable, plus incentive payments received. Amounts recorded as deferred inflows of resources from the leases are amortized on a straight-line basis over the term of the lease.

f) Capital Assets

Capital assets are those purchased or acquired with an original cost of $15,000 or more and are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized but are expensed as incurred.

Depreciation/amortization on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Assets	Years
Improvement of sites	5-50
Buildings	20-50
Building improvements	5-50
Furniture and fixtures	2-15
Equipment	2-15
Computer equipment	2-15
Office equipment	2-15

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the university has determined is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the underlying asset. Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

g) Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the statements but is shown as a component of general long-term debt.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. Service credit for unused sick leave is available to all employees who are members of either STRS or PERS. At retirement, service credit is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Separate sick leave banks for catastrophic illness have been established for the certificated, classified, and confidential groups. Sick leave days are donated annually by HTA and CSEA employees to their respective banks at their daily rates. Confidential employees will be granted up to five additional sick leave days for catastrophic illness if needed.

h) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

i) Subscription Based Information Technology Arrangements

The District recognizes subscription liabilities with an initial, individual value of $50,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate in the arrangement. The District's estimated incremental borrowing rate is calculated as described above. The District's estimated incremental borrowing rate is based on its most recent public debt issuance.

j) Fund Balance Policy and Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, of 6 percent of general fund operating expenditures and other financing uses.

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

- *Nonspendable* 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 nor committed. Assignments may be identified by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.
- *Unassigned* includes positive fund balances within the general fund which 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.

k) Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants, reduced by outstanding bond premiums, when applicable.

Educational Programs restrictions reflect the amounts to be expended on specific school programs funded by federal and state resources and from locally funded programs with stipulated uses.

Cafeteria Program restrictions reflect the cash balances in the Cafeteria fund that are restricted for food services and child nutrition programs.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

l) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

m) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

n) 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.

J. Implemented Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. This statement did not have a material impact on the financial statements.

K. Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management's discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2024 is as follows:

Description	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash with fiscal agent	$ 2,610	$ 2,587
Cash in revolving funds	26,872	26,872
Local Agency Investment Fund	2,013	2,006
Cash with County	48,033,733	47,615,840
Total Cash and Investments	$ 48,065,228	$ 47,647,304

Cash in Banks and in Revolving Funds

Cash balances in banks and revolving funds are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2024, the bank balances of the District's accounts were fully insured by FDIC.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code Section 41001. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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.

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.

Policies and Practices

The District is authorized under California Government Code Section 53635 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.

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 County of San Mateo Investment Pool. The pool has a fair value of approximately $2.71 billion and an amortized book value of $2.74 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 County of San Mateo 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.

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.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2024:

Description	General Fund	Building Fund	Special Res. For Capital Outlay	Bond Interest Redemption	Nonmajor Funds	Total
Federal Government	$ 321,588	$ -	$ -	$ -	$ 66,412	$ 388,000
State Government	313,674	-	-	-	-	313,674
Local Government	-	310,846	-	-	4,736	315,582
Other Resources	249,362	-	3,445	68,213	-	321,020
Total Accounts Receivable	$ 884,624	$ 310,846	$ 3,445	$ 68,213	$ 71,148	$ 1,338,276

4. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2024, the Cafeteria Fund owed the General Fund $75,000.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. During the fiscal year ended June 30, 2024 the District transferred $80,000 from the Special Reserve Fund for Capital Outlay Projects to the General Fund and transferred $144,000 from the General Fund to the Cafeteria Fund.

5. LEASES RECEIVABLE

The District has an agreement with Bridge School ("Bridge") to lease Bridge space at North and Crocker Schools. Under the terms of the agreement, Bridge was required to pay a minimum of $240,000 at lease inception, $240,000 on August 1, 2023 and $300,000 on August 1, 2026. There are options to pay annually at increased rates from $100,000 to $120,000 per year. The District applied an incremental borrowing rate of .32% over the term of the lease based on applicable rates. As of June 30, 2024, the District's outstanding lease receivable was $- offset by deferred inflows of resources totaling $299,043. The lease revenue is amortized over the remaining life of the lease; seven years. Lease revenue for the fiscal year was $240,000.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2024 were as follows:

Capital Assets	Balance July 01, 2023	Additions	Transfers/ Deletions	Balance June 30, 2024
Land - Not Depreciable	$ 228,711	$ -	$ -	$ 228,711
Construction in Progress - Not Depreciable	1,246,559	2,996,075	(628,112)	3,614,522
Subscription Right of Use Assets	100,826	450,296	-	551,122
Land Improvements	1,994,620	114,662	-	2,109,282
Buildings and Improvements	77,915,169	689,783	-	78,604,952
Furniture and Equipment	4,582,636	1,161,025	(48,083)	5,695,578
Total capital assets	86,068,521	5,411,841	(676,195)	90,804,167
Less accumulated depreciation/amortization for:				
Subscription Right of Use Assets	29,473	108,907	-	138,380
Land Improvements	1,587,832	44,210	-	1,632,042
Buildings and Improvements	39,990,183	2,257,962	-	42,248,145
Furniture and Equipment	2,086,987	321,522	-	2,408,509
Total accum. depreciation/amortization	43,694,475	2,732,601	-	46,427,076
Total capital assets - net depreciation	$ 42,374,046	$ 2,679,240	$ (676,195)	$ 44,377,091

Depreciation and amortization expense was charged to the following governmental activities:

Instruction	$ 1,903,462
Supervision of instruction	129,548
Instruction library, media and technology	14,521
School site administration	146,902
Home-to-school transportation	16,013
All other pupil services	84,360
Data process services	37,449
All other general administration	139,217
Plant services	238,728
Community services	22,401
Total depreciation/amortization expense	$ 2,732,601

7. LONG-TERM LIABILITIES

Schedule of Changes in Long-term Liabilities

The following summarizes the changes long-term liabilities:

Description	Balance July 01, 2023	Additions	Adjustments & Deletions	Balance June 30, 2024	Due Within One Year
General Obligation Bonds	$ 117,565,744	$ 6,077,809	$ 3,833,869	$ 119,809,684	$ 4,714,529
Subscription Liabilities	67,446	450,296	126,160	391,582	93,159
Net Pension Liabilities	30,437,216	16,779,693	13,699,387	33,517,522	-
Total OPEB Liability	4,314,232	4,224,351	4,407,834	4,130,749	-
Compensated Absences	268,240	85,993	-	354,233	-
Total Long-term Liabilities	$ 152,652,878	$ 27,618,142	$ 22,067,250	$ 158,203,770	$ 4,807,688

Payments on bonds were made from the Bond Interest and Redemption Fund and Debt Service Fund using local revenues. Compensated absences, net pension liabilities and total OPEB liabilities were paid by the fund for which the employee worked. Subscription liabilities were paid from the General Fund.

Bonds Payable

The following summarizes the bonds outstanding as of June 30, 2024:

Bond	Maturity Date Sept 1,	Interest Rate %	Original Issue	Bonds Outstanding July 01, 2023	Additions	Deletions	Bonds Outstanding June 30, 2024
2002 GOB Series B	2031	4.74-4.88	$ 28,501,422	$ 12,011,422	$ -	$ 1,120,313	$ 10,891,109
2002 GOB Series C	2045	2.35-7.3	22,680,012	417,840	-	31,109	386,731
2002 GOB Series D	2035	2.62	2,118,566	1,715,000	-	170,000	1,545,000
2020 Refunding Bonds	2040	.49-3.386	53,910,045	53,035,045	-	990,000	52,045,045
2022 GOB Series A	2052	4-5	34,000,000	34,000,000	-	-	34,000,000
Subtotal General Obligation Bonds			141,210,045	101,179,307	-	2,311,422	98,867,885
Accreted Interest			85,581,479	14,770,374	6,077,809	1,468,578	19,379,605
Bond Premiums			1,616,063	1,616,063	-	53,869	1,562,194
Total General Obligation Bonds			$ 228,407,587	$ 117,565,744	$ 6,077,809	$ 3,833,869	$ 119,809,684

The annual debt service requirements of the bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	$ 4,714,529	$ 3,249,558	$ 7,964,087
2026	2,519,883	3,355,796	5,875,679
2027	2,634,752	3,531,789	6,166,541
2028	2,751,971	3,716,669	6,468,640
2029	1,860,524	4,944,398	6,804,922
2030-2034	16,354,691	23,348,368	39,703,059
2035-2039	26,587,555	24,476,327	51,063,882
2040-2044	16,328,980	15,497,395	31,826,375
2045-2049	11,435,000	4,278,375	15,713,375
2050-2053	13,680,000	1,148,400	14,828,400
Total Debt Service	$ 98,867,885	$ 87,547,075	$ 186,414,960

Subscription Based Information Technology Agreements (SBITAs)

The following summarizes the terms of SBITAs:

	Lexia Core5	Sophos	McGraw-Hill	AMS.net
Start	7/1/2022	12/17/2022	7/1/2023	7/28/2023
End	8/1/2024	12/16/2025	6/30/2029	7/27/2028
Annual Rate	0.29%	3.12%	3.00%	3.00%
Principal Paid	$ 24,609	$ 16,537	$ 57,126	$ 27,888
Interest Paid	$ 76	$ 1,273	$ -	$ -
Lease Amortization	$ 17,066	$ 12,407	$ 53,124	$ 26,310

The following summarizes the subscription right of use assets:

	Lexia Core5	Sophos	McGraw-Hill	AMS.net	Total
Beginning	$ 51,199	$ 49,627	$ -	$ -	$ 100,826
Additions	-	-	318,746	131,550	450,296
Deletions	-	-	-	-	-
Ending	51,199	49,627	318,746	131,550	551,122
Accumulated Amortization	(34,133)	(24,813)	(53,124)	(26,310)	(138,380)
Subscription ROA, Net	$ 17,066	$ 24,814	$ 265,622	$ 105,240	$ 412,742

The following summarizes the subscription liabilities:

	Lexia Core5	Sophos	McGraw-Hill	AMS.net	Total
Beginning	$ 26,660	$ 40,786	$ -	$ -	$ 67,446
Additions	-	-	318,746	131,550	450,296
Principal Paid	(24,609)	(16,537)	(57,126)	(27,888)	(126,160)
Ending	2,051	24,249	261,620	103,662	391,582
Due Within One Year	2,051	17,053	49,277	24,778	93,159
Due in More Than One Year	$ -	$ 7,196	$ 212,343	$ 78,884	$ 298,423

The following summarizes the future payments on SBITAs:

Ending June 30,	Principal	Interest	Total
2025	$ 93,159	$ 11,722	$ 104,881
2026	83,473	8,962	92,435
2027	78,565	6,449	85,014
2028	80,923	4,091	85,014
2029	55,462	1,664	57,126
Total Debt Service	$ 391,582	$ 32,888	$ 282,330

8. SUMMARY OF PENSION PLAN BALANCES

The following schedule summarizes the pension balances by plan:

	Defined Benefit Plans		Defined Contribution	
	PERS	STRS	Plan	Total
Deferred outflows of resources	$ 3,633,651	$ 7,150,907	$ 97,069	$ 10,881,627
Deferred inflows of resources	$ 243,226	$ 2,208,945	$ 32,841	$ 2,485,012
Net pension liabilities	$ 10,526,637	$ 22,360,870	$ 630,015	$ 33,517,522
Pension expense (credit)	$ 1,882,046	$ 4,030,624	$ 61,075	$ 5,973,745

9. CALPERS PENSION PLAN

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's CalPERS Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.490%	7.490%
Required employer contribution rates	26.680%	26.680%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For fiscal year ending June 30, 2024, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2024 the District's contributions were as follows:

	CalPERS
Contributions - employer	$ 1,422,909

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2024, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	$ 10,526,637

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate shares of the net pension liability for the Plan as of, June 30, 2023 and 2024 was as follows:

	CalPERS
Proportion - June 30, 2023	0.02820%
Proportion - June 30, 2024	0.02908%
Change - Increase/(Decrease)	0.00088%

For the year ended June 30, 2024, the District recognized pension expense of $1,882,378 for the Plan.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 484,958	$ -
Differences between Expected and Actual Experience	384,147	161,674
Differences between Projected and Actual Investment Earnings	1,124,395	-
Differences between Employer's Contributions and Proportionate Share of Contributions	577	21,090
Change in Employer's Proportion	216,665	60,462
Pension Contributions Made Subsequent to Measurement Date	1,422,909	-
Total	$ 3,633,651	$ 243,226

The District reported $1,422,909 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2025	$ 571,068
2026	447,152
2027	914,303
2028	34,992
2029	-
Thereafter	-
Total	$ 1,967,515

Actuarial Assumptions - The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 6.9%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 6.9% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2023 based on June 30, 2022 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 6.9% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.05%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long- term, the present value of benefits was calculated for the Plan.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.3% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS
1% Decrease	5.90%
Net Pension Liability	$ 15,218,795
Current	6.90%
Net Pension Liability	$ 10,526,637
1% Increase	7.90%
Net Pension Liability	$ 6,648,674

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

10. California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost-of-living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.25%	10.21%
Required employer contribution rates	19.10%	19.10%
Required State contribution rates	9.71%	9.71%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2024, the District contributions were as follows.

	CalSTRS
Employer Contributions	$ 3,341,069
State Contributions	1,713,944
Total	$ 5,055,013

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2024, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 22,360,870
State	10,713,763
Total	**$ 33,074,633**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 9.71 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2024 was as follows:

	CalSTRS
Proportion - June 30, 2023	0.02902%
Proportion - June 30, 2024	0.02936%
Change - Increase/(Decrease)	0.00034%

For the year ended June 30, 2024, the District recognized pension expense of $4,030,624 for the Plan, including pass-through expenses from the state of $1,713,944.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 129,478	$ -
Differences between Expected and Actual Experience	1,757,196	1,196,420
Differences between Projected and Actual Investment Earnings	95,714	-
Differences between Employer's Contributions and Proportionate Share of Contributions	36,821	642,085
Change in Employer's Proportion	1,790,629	370,440
Pension Contributions Made Subsequent to Measurement Date	3,341,069	-
Total	$ 7,150,907	$ 2,208,945

The District reported $3,409,376 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2025	$ (489,209)
2026	(882,633)
2027	2,080,331
2028	402,515
2029	155,389
Thereafter	334,499
Total	$ 1,600,892

Actuarial Assumptions - The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

(1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB

(2) Net of investment expense but gross of administrative expenses.

(3) Based on 110% of the MP-2019 Ultimate Projection

Discount Rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return (a) (b)
Global Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigation Strategies	10.00%	1.75%
Liquidity	2.00%	-0.35%
Total	100.00%	

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(a) Real return is net of assumed 2.75% inflation.
(b) 20-year geometric average.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS
1% Decrease	6.10%
Net Pension Liability	$ 37,508,574
Current	7.10%
Net Pension Liability	$ 22,360,870
1% Increase	8.10%
Net Pension Liability	$ 9,778,935

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,* requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

Benefits - The District pays subsidy to CalPERS on behalf of its eligible retirees. The benefit is a lifetime payment beginning at the date of retirement. The annual subsidy paid by the school district is $1,668 per retiree, indexed annually for medical CPI inflation. There are two retirees with special retirement provisions that have benefits that are slightly different. Covered spouses continue to receive the benefits after the death of the retiree.

Eligibility is determined by employee classification as follows:

Group	Required Age and Service	Benefit Duration
Certificated Management	55/5; 50/30	Lifetime
Certificated Contract / Substitute	55/5; 50/30	Lifetime
Classified Contract / Substitute:		
Hired Before 01/01/2013	50/5	Lifetime
Hired on or After 01/01/2013	52/5	Lifetime
Classified Management:		
Hired Before 01/01/2013	50/5	Lifetime
Hired on or After 01/01/2013	52/5	Lifetime
Confidential:		
Hired Before 01/01/2013	50/5	Lifetime
Hired on or After 01/01/2013	52/5	Lifetime

Employees Covered by Benefit Terms - At July 1, 2023 (the valuation date), the benefit terms covered the following employees:

Active employees	184
Inactive employees	68
Total employees	252

Contributions – The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions made as benefit payments in the OPEB plan during the year were $136,746. The actuarially determined contribution for the measurement period was $369,557. The District's benefit payments were 0.67% of covered payroll during the measurement period June 30, 2024. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	July 1, 2023
Measurement Date:	June 30, 2024
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 Years
Actuarial Assumptions:	
Discount Rate	3.93%
Inflation	3.97%
Payroll Increases	3.50%
Municipal Bond Rate	3.93%
Healthcare Trend	2.81%
Mortality	2017 CalSTRS Mortality Table
	2019 CalPERS Active Mortality for Miscellaneous employees
Retirement	2017 CalSTRS Retirement Table
	Hired before 1/1/2013: 2017 CalPERS Retirement Rates for School Employees 2%@55
	Hired after 1/1/2013: 2017 CalPERS Retirement Rate for Employees 2%@60 adjusted to minimum retirement age of 52
Service Requirement	Certificated: 2019 CalSTRS Withdrawal
	Classified: Terminated Refund Rates (School), and Terminated Vested Rates (School)

Discount Rate - The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of June 30, 2024.

Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2024, for the measurement date of June 30, 2024.

Fiscal Year Ended June 30, 2024	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Total OPEB Liability**
Balance at June 30,2023	$ 4,314,232	$ -	$ 4,314,232
Service cost	136,426	-	136,426
Interest in Total OPEB Liability	158,785	-	158,785
Balance of diff between actual and exp experien	(97,091)	-	(97,091)
Balance of changes in assumptions	(244,857)	-	(244,857)
Benefit payments	(136,746)	-	(136,746)
Net changes	(183,483)	-	(183,483)
Balance at June 30, 2024	$ 4,130,749	$ -	$ 4,130,749

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources - At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 294,333	$ 2,735,302
Change in assumptions	1,006,231	956,959
Totals	$ 1,300,564	$ 3,692,261

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2025	$ (261,556)
2026	(261,556)
2027	(579,129)
2028	(773,773)
2029	(467,254)
Thereafter	(48,429)
Total	$ (2,391,697)

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2024, for the measurement date of June 30, 2024:

Service cost	$ 136,426
Interest in TOL	158,785
Difference between actual and expected experience	(469,282)
Change in assumptions	207,726
OPEB Expense	**$ 33,655**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2024, for the measurement date of June 30, 2024:

Total OPEB liability ending	$ 4,130,749
Total OPEB liability begining	(4,314,232)
Change in total OPEB liability	(183,483)
Changes in deferred outflows	529,555
Changes in deferred inflows	(449,163)
Employer contributions/benefit payments	136,746
OPEB Expense	**$ 33,655**

Sensitivity to Changes in the Municipal Bond Rate - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a municipal bond rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	**3.54%**	**(1% Increase)**
Total OPEB Liability	$ 4,796,916	$ 4,130,749	$ 3,594,664

Sensitivity to Changes in the Healthcare Cost Trend Rates - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	**2.81%**	**(1% Increase)**
Total OPEB Liability	$ 3,527,217	$ 4,130,749	$ 4,890,316

12. DEFINED CONTRIBUTION PENSION PLAN

Plan Description - The District makes a cash payment to reimburse its retirees for the cost of medical insurance acquired through CalPERS. The District has set maximum payment for each employee classification. The amount paid to the retiree is the net amount after paying the CalPERS minimum contribution for participating retirees.

Certain information contained in this note is based on information for the Defined Contribution Plan measured as of July 1, 2022, which is the most recent valuation date for which complete information related to the year ended June 30, 2024 is available.

Fiduciary Investment and Control - The plan is unfunded. Benefits are paid to retirees monthly.

Participants Covered by the Benefit Terms - The following participants were covered by the benefit terms:

Active employees	184
Inactive employees	20
Total employees	204

Contributions - Benefits are paid monthly to the retirees. There is no pre-funding of the pension obligation.

Trust Assets - None

Measurement of Total Pension Liability - The total pension liability at the June 30, 2024 measurement date was determined using an actuarial valuation as of July 1, 2023.

Actuarial Assumptions - The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	July 1, 2023
Measurement Date:	June 30, 2024
Actuarial Cost Method:	Entry-Age Normal, as a percent of salary
Actuarial Assumptions:	
Discount Rate	3.93%
Inflation	1.81%
Payroll Increases	3.50%
Healthcare Trend	2.82%
Mortality	Varies based on coded field: RET_SYS
Certificated	2019 CalSTRS Mortality, table B.2
Classified	2017 CalPERS Active Mortality Miscellaneous employees

Significant Changes from the Previous Actuarial Valuation:

Increasing the discount rate from 3.54% to 3.93%.

The payroll growth rate was increased from 3.00% to 3.50%.

Changes in the Total Pension Liability - The following table presents the changes to the total pension liability from the defined contribution plan during the fiscal year.

Fiscal Year Ended June 30, 2024	Total Pension Liability
Balance at June 30, 2023	$ 583,258
Service cost	18,988
Interest	24,773
Balance of diff between actual and exp experience	107,760
Assumption changes	(16,546)
Benefit payments	(88,218)
Net changes	46,757
Balance at June 30, 2024	$ 630,015

Pension Expense - The following summarizes the components of pension expense related to the defined contribution plan:

Service cost	$ 18,988
Interest	24,773
Difference between actual and expected experience	23,069
Change in assumptions	(5,755)
Net Pension Expense	**$ 61,075**

Deferred Outflows of Resources and Deferred Inflows of Resources - The following summarizes the components of deferred outflows and inflows of resources related to the defined contribution plan during the year:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 82,042	$ 2,940
Changes in assumptions	15,027	29,901
Totals	$ 97,069	$ 32,841

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to Pension will be recognized in Pension expense as follows:

Year Ended June 30,		
2025	$	17,314
2026		51,613
2027		(3,949)
2028		(750)
Total	$	64,228

Sensitivity of the Total Pension Liability to Changes in the Discount Rate - The following presents the total pension liability of the district as of the June 30, 2024 measurement date, calculated using the discount rate of 3.54% percent, as well as what the district's total pension liability would be if it were not calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	Discount Rate		
	(1% Decrease)	**3.93%**	**(1% Increase)**
Net Pension Liability	$ 661,608	$ 630,015	$ 600,726

Sensitivity of the Total Pension Liability to Changes in medical inflation rate - The following presents the total pension liability of the district as of the June 30, 2024 measurement date, calculated using the medical inflation rate of 2.82% percent, as well as what the district's total pension liability would be if it were not calculated using a medical inflation rate that is one percentage point lower (1.82%) or one percentage point higher (3.82%) than the current rate:

	Trend Rate		
	(1% Decrease)	**2.82%**	**(1% Increase)**
Net Pension Liability	$ 622,447	$ 630,015	$ 638,018

13. COMMITMENTS AND CONTINGENCIES

Litigation

Various claims involving the District arise during the normal course of business. However, management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Federal and State Allowances, Awards and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

14. JOINT POWERS AGREEMENTS

The District participates in a joint venture under a joint powers agreement (JPA) with San Mateo County Schools Insurance Group (SMCSIG) for property and liability and workers' compensation insurance. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. SMCSIG's most recent financial statement information can be found at https://www.smcsig.org.

15. PRIOR PERIOD RESTATEMENT

Beginning fund balance and net position was increased by $166,666 to correct unearned revenue that was overstated in prior years.

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REQUIRED SUPPLEMENTARY INFORMATION

Hillsborough City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF/Propert Taxes	$ 27,859,295	$ 27,834,825	$ 27,962,712	$ 127,887
Federal	343,888	360,839	375,367	14,528
Other state	2,317,310	3,092,378	3,101,112	8,734
Other local	7,705,681	8,147,418	8,514,665	367,247
Total revenues	38,226,174	39,435,460	39,953,856	518,396
Expenditures:				
Certificated salaries	17,484,032	18,001,441	17,891,378	110,063
Classified salaries	5,275,133	5,293,298	5,102,708	190,590
Employee benefits	9,462,169	9,811,373	9,705,841	105,532
Books and supplies	1,615,797	1,789,493	1,704,970	84,523
Services and other operating expenditures	4,021,727	4,636,534	4,519,089	117,445
Capital outlay	-	57,134	486,030	(428,896)
Other outgo	186,541	241,040	218,887	22,153
Total expenditures	38,045,399	39,830,313	39,628,903	201,410
Excess (deficiency) of revenues over (under) expenditures	180,775	(394,853)	324,953	719,806
Other financing sources (uses):				
Transfers in	80,000	80,000	80,000	-
Transfers out	(100,000)	(170,427)	(153,601)	16,826
Subscriptions	-	-	450,296	450,296
Total other financing sources (uses)	(20,000)	(90,427)	376,695	467,122
Changes in fund balance	$ 160,775	$ (485,280)	701,648	$ 1,186,928
Fund balance beginning			7,834,278	
Fund balance ending			$ 8,535,926	

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. Expenditures over budget were covered by fund balance. The basis of budgeting is the same as GAAP.

Hillsborough City School District
Schedule of CalPERS Pension Plan Contributions
For the Year Ended June 30, 2024

Plan Measurement Date	**2014**	**2015**	**2016**	**2017**	**2018**
Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**
Contractually Required Contributions	$ 332,046	$ 350,898	$ 444,062	$ 503,369	$ 635,069
Contributions in Relation to					
Contractually Required Contributions	332,046	350,898	444,062	503,369	635,069
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,820,882	$ 20,961,914	$ 3,197,451	$ 3,241,060	$ 3,516,050
Contributions as a					
% of Covered Payroll	11.77%	1.67%	13.89%	15.53%	18.06%

Plan Measurement Date	**2019**	**2020**	**2021**	**2022**	**2023**
Fiscal Year Ended	**2020**	**2021**	**2022**	**2023**	**2024**
Contractually Required Contributions	$ 812,476	$ 853,849	$ 992,589	$ 1,283,086	$ 1,422,909
Contributions in Relation to					
Contractually Required Contributions	812,476	853,849	992,589	1,283,086	1,422,909
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,119,852	$ 4,125,617	$ 4,333,683	$ 5,059,944	$ 5,333,570
Contributions as a					
% of Covered Payroll	19.72%	20.70%	22.90%	25.36%	26.68%

Notes to Schedule:

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.30%
Investment Rate of Returns set at 6.80%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then to 6.90% in FY23.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY23.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.

This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

Hillsborough City School District

Schedule of CalPERS Proportionate Share of Net Pension Liabilities
For the Year Ended June 30, 2024

Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**
District's Proportion of Net Pension Liability	0.02570%	0.02533%	0.02541%	0.02507%	0.02447%
Proportionate Share of Net Pension Liability	$ 2,917,576	$ 3,733,599	$ 5,018,892	$ 5,984,871	$ 6,524,472
Covered Payroll	$ 2,697,745	$ 2,820,882	$ 20,961,914	$ 3,197,451	$ 3,241,060
Proportionate Share of NPL as a % of Covered Payroll	108.15%	132.36%	23.94%	187.18%	201.31%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%

Fiscal Year Ended	**2020**	**2021**	**2022**	**2023**	**2024**
District's Proportion of Net Pension Liability	0.02535%	0.02848%	0.02865%	0.02820%	0.02908%
Proportion of Net Pension Liability (Misc Plan Only)	0.01413%	0.01431%	0.01113%	0.01500%	0.02908%
Proportionate Share of Net Pension Liability	$ 7,387,193	$ 8,739,461	$ 5,825,205	$ 9,703,018	$ 10,526,637
Covered Payroll	$ 3,516,050	$ 4,119,852	$ 4,125,617	$ 4,333,683	$ 5,059,944
Proportionate Share of NPL as a % of Covered Payroll	210.10%	212.13%	141.20%	223.90%	208.04%
Plan's Fiduciary Net Position as a % of the TPL	70.05%	70.00%	80.97%	69.76%	69.96%

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then to 6.90% in FY23.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY23.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.
This schedule presents information on the District’s portion of the net pension liability of CalPERS in compliance with GASB 68.

Hillsborough City School District
Schedule of STRS Pension Plan Contributions
For the Year Ended June 30, 2024

Plan Measurement Date	**2014**	**2015**	**2016**	**2017**	**2018**
Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**
Contractually Required Contributions	$ 1,157,499	$ 1,465,703	$ 1,769,285	$ 2,003,090	$ 2,350,055
Contributions in Relation to Contractually Required Contributions	1,157,499	1,465,703	1,769,285	2,003,090	2,350,055
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 13,034,899	$ 13,659,860	$ 14,064,269	$ 13,881,428	$ 14,435,227
Contributions as a % of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%

Plan Measurement Date	**2019**	**2020**	**2021**	**2022**	**2023**
Fiscal Year Ended	**2020**	**2021**	**2022**	**2023**	**2024**
Contractually Required Contributions	$ 2,504,484	$ 2,564,887	$ 2,884,324	$ 3,409,376	$ 3,341,069
Contributions in Relation to Contractually Required Contributions	2,504,484	2,564,887	2,884,324	3,409,376	3,341,069
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 14,646,105	$ 15,878,198	$ 17,048,922	$ 17,856,144	$ 17,492,508
Contributions as a % of Covered Payroll	17.10%	16.15%	16.92%	19.09%	19.10%

Notes to Schedule:

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.
This schedule provides information about the District’s required and actual contributions to CalSTRS during the year.

Hillsborough City School District
Schedule of STRS Proportionate Share of Net Pension Liabilities
For the Year Ended June 30, 2024

Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**
District's Proportion of Net Pension Liability	0.02687%	0.02642%	0.02652%	0.02700%	0.02600%
District's Proportionate Share of Net Pension Liability	$ 15,702,742	$ 17,786,323	$ 21,446,713	$ 24,969,330	$ 23,895,820
State's Proportionate Share of Net Pension Liability Associated with the District	9,481,944	9,407,008	12,209,185	14,771,606	13,681,552
	$ 25,184,686	$ 27,193,331	$ 33,655,898	$ 39,740,936	$ 37,577,372
Covered Payroll	$ 11,968,521	$ 13,034,899	$ 13,659,860	$ 14,064,269	$ 13,881,428
Proportionate Share of NPL as a % of Covered Payroll	131.20%	136.45%	157.01%	177.54%	172.14%
Plan's Fiduciary Net Position as a % of the TPL	76.52%	74.02%	70.04%	69.46%	70.99%

Fiscal Year Ended	**2020**	**2021**	**2022**	**2023**	**2024**
District's Proportion of Net Pension Liability	0.02700%	0.02700%	0.02967%	0.02900%	0.02936%
District's Proportionate Share of Net Pension Liability	$ 24,385,320	$ 26,165,430	$ 13,502,631	$ 20,150,940	$ 22,360,870
State's Proportionate Share of Net Pension Liability Associated with the District	13,303,899	13,488,279	6,793,984	10,091,591	10,713,763
	$ 37,689,219	$ 39,653,709	$ 20,296,615	$ 30,242,531	$ 33,074,633
Covered Payroll	$ 14,435,227	$ 14,646,105	$ 15,878,198	$ 17,048,922	$ 17,856,144
Proportionate Share of NPL as a % of Covered Payroll	168.93%	178.65%	85.04%	118.19%	125.23%
Plan's Fiduciary Net Position as a % of the TPL	72.56%	71.82%	87.21%	81.20%	80.62%

Notes to Schedule:

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.
This schedule presents information on the District’s portion of the net pension liability of CalSTRS in compliance with GASB 68.

Hillsborough City School District
Schedule of Changes in Total OPEB Liability
For the Year Ended June 30, 2024

Fiscal Year Ended	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Total OPEB liability							
Service cost	$ 249,449	$ 256,310	$ 352,396	$ 360,183	$ 144,694	$ 149,816	$ 136,426
Interest	163,669	159,579	191,649	201,195	138,847	144,523	158,785
Differences expected and actual experience	-	-	912,683	-	(4,389,287)	-	(97,091)
Assumption changes	-	185,526	2,867,469	-	(1,236,519)	-	(244,857)
Benefit payments	(164,367)	(170,942)	(110,882)	(113,332)	(121,055)	(125,340)	(136,746)
Net change in Total OPEB Liability	248,751	430,473	4,213,315	448,046	(5,463,320)	168,999	(183,483)
Total OPEB Liability - beginning	4,267,968	4,516,719	4,947,192	9,160,507	9,608,553	4,145,233	4,314,232
Total OPEB Liability - ending	$ 4,516,719	$ 4,947,192	$ 9,160,507	$ 9,608,553	$ 4,145,233	$ 4,314,232	$ 4,130,749
Plan fiduciary net position as a percentage of the Total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	$ 17,131,760	$ 17,171,163	$ 17,210,925	$ 17,555,144	$ 18,845,978	$ 19,788,277	$ 20,381,925
TOL as a % of covered employee payroll	26.36%	28.81%	53.22%	54.73%	22.00%	21.80%	20.27%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Mortality, withdrawal and retirement tables were updated to reflect more recent CalPERS and CalSTRS tables.

Trend rates were decreased from 4% in 2019 to 2.8% in 2020, 1.91% in 2022 and increased to 2.81% in 2024.

The discount rate was reduced from 3.5% in 2019 to 2.21% in 2020, increased to 3.54% in 2022, and increased to 3.97% in 2024.

Hillsborough City School District

Defined Contribution Plan Schedule of Changes in Total Pension Liability

For the Year Ended June 30, 2024

Fiscal Year Ended	2020	2021	2022	2023	2024
Pension Liability					
Service cost	$ 15,046	$ 17,922	$ 16,816	$ 17,411	$ 18,988
Interest	25,637	16,746	22,274	20,695	24,773
Diff. expected and actual exp.	-	-	(10,887)	-	107,760
Changes of assumptions	83,952	-	(64,077)	-	(16,546)
Benefit payments	(106,756)	(90,032)	(88,441)	(78,913)	(88,218)
Net change in Pension Liability	17,879	(55,364)	(124,315)	(40,807)	46,757
Pension Liability - Beginning	785,865	803,744	748,380	624,065	583,258
Pension Liability - Ending	$ 803,744	$ 748,380	$ 624,065	$ 583,258	$ 630,015
Net Pension Liability	$ 803,744	748,380	624,065	583,258	630,015
Annual Covered Payroll	$ 18,910,925	$ 19,289,144	$ 18,845,978	$ 19,411,357	$ 21,088,877
NPL as % of Covered Payroll	4.25%	3.88%	3.31%	3.00%	2.99%

SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds
Combining Schedules

Hillsborough City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds	Capital Projects Funds	
	Cafeteria Fund	Capital Facilities Fund	Totals
Assets			
Cash and investments	$ 10,153	$ 261,753	$ 271,906
Accounts receivable	66,413	4,735	71,148
Total Assets	$ 76,566	$ 266,488	$ 343,054
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 808	$ -	$ 808
Due to other funds	75,000	-	75,000
Total Liabilities	75,808	-	75,808
Fund balances:			
Restricted for:			
Capital projects	$ -	$ 266,488	$ 266,488
Cafeteria programs	758	-	758
Total Fund Balances	758	266,488	267,246
Total Liabilities and Fund Balances	$ 76,566	$ 266,488	$ 343,054

Hillsborough City School District
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2024

	Special Revenue Fund	Capital Projects Funds	
	Cafeteria Fund	Capital Facilities Fund	Totals
Revenues:			
Federal	$ 61,336	$ -	$ 61,336
Other state	401,049	-	401,049
Other local	(1,038)	212,178	211,140
Total revenues	461,347	212,178	673,525
Expenditures:			
Pupil services:			
Food services	605,311	-	605,311
Total expenditures	605,311	452,480	1,057,791
Excess (deficiency) of revenues over (under) expenditures	(143,964)	(240,302)	(384,266)
Other financing sources (uses):			
Transfers in	144,000	-	144,000
Transfers out	-	-	-
Total other financing sources (uses)	144,000	-	144,000
Changes in fund balances	36	(240,302)	(240,266)
Fund balances beginning	722	506,790	507,512
Fund balances ending	$ 758	$ 266,488	$ 267,246

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COMPLIANCE SECTION

Hillsborough City School District
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2024

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	483.66	485.42	483.66	485.42
Grades four through six	438.38	438.87	438.38	438.87
Grades seven and eight	288.61	288.83	288.61	288.83
Regular ADA Totals	1,210.65	1,213.12	1,210.65	1,213.12
Extended year Special education				
Grades TK/K through three	0.39	0.39	0.39	0.39
Grades four through six	0.21	0.21	0.21	0.21
Grades seven and eight	0.10	0.10	0.10	0.10
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	1.70	1.66	1.70	1.66
Extended year special education - nonpublic, nonsect schools:				
Grades seven and eight	0.11	0.11	0.11	0.11
ADA Totals	1,213.16	1,215.59	1,213.16	1,215.59

Hillsborough City School District
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2024

Grade Level	Minutes Requirements	2024 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	50,500	180	0	In compliance
Grade 1	50,400	51,800	180	0	In compliance
Grade 2	50,400	51,800	180	0	In compliance
Grade 3	50,400	53,805	180	0	In compliance
Grade 4	54,000	55,755	180	0	In compliance
Grade 5	54,000	55,755	180	0	In compliance
Grade 6	54,000	61,227	180	0	In compliance
Grade 7	54,000	61,227	180	0	In compliance
Grade 8	54,000	61,227	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46200 through 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The purpose of this schedule is to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no dependent or independent charter schools required to be reported by the District for the current fiscal year.

Hillsborough City School District
Reconciliation of Annual Financial and Budget Report (SACS)
to the Audited Financial Statements
For the Fiscal Year Ended June 30, 2024

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2024 Annual Financial and Budget Report Fund Balances	$ 6,315,246	$ 31,609,046	$ 21,883	$ 7,973,845	$ 2,487,927
Adjustments and Reclassifications:					
Leases	(9,601)	-	346,552	-	-
Accounts payable	-	(541,166)	-	-	-
GASB 87 lease amortization	9,600	-	-	-	-
GASB 54 reclassifications	2,220,681	-	-	-	(2,220,681)
June 30, 2024 Audited Financial Statements Fund Balances	$ 8,535,926	$ 31,067,880	$ 368,435	$ 7,973,845	$ 267,246

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments in state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time/days offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

OTHER INFORMATION

The Hillsborough City School District was established August 14, 1911, and consists of an area comprising approximately 6.3 square miles. The District operates 3 elementary schools, and 1 middle school. There were no boundary changes during the year.

Governing Board

Name	Office	Term Expires
Kim Oliff	President	2024
Don Geddis	Vice President	2026
Greg Dannis	Clerk	2024
An Chen	President	2026
Gilbert Wai	Member	2026

Administration

Louann Carlomagno
Superintendent

Joyce Shen
Chief Business Official

Hillsborough City School District

Schedule of Financial Trends and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

	(Budget) [1] 2025	2024	2023	2022
General Fund				
Revenues and other financial sources	$ 40,741,626	$ 40,484,152	$ 38,514,715	$ 35,438,251
Expenditures	40,891,204	39,628,903	38,210,956	36,333,716
Other uses and transfers (out)	171,150	153,601	45,000	100,000
Total outgo	41,062,354	39,782,504	38,255,956	36,433,716
Change in fund balance	(320,728)	701,648	258,759	(995,465)
GASB Adjustments	-	-	-	215,129
Ending fund balance	$ 8,215,198	$ 8,535,926	$ 7,834,278	$ 7,575,519
Available reserves [2]	$ 4,297,288	$ 4,466,822	$ 3,786,552	$ 5,334,179
Designated for economic uncertainty	$ 2,465,801	$ 2,361,456	$ 2,297,457	$ 2,766,351
Unassigned fund balance	$ 1,831,487	$ 2,105,366	$ 1,489,095	$ 2,567,828
Available reserves as a percentage of total outgo	10%	11%	10%	15%
Total long-term debt	$ 153,396,082	$ 158,203,770	$ 152,653,179	$ 108,465,112
Average daily attendance at P-2	1,235	1,213	1,235	1,212

ADA has increased by 1 over the past three years. The district anticipates an increase of 22 ADA in 2025.

The general fund balance has increased by $960,407 over the past three years and operated at a surplus in two of the last three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by $49,738,658 over the past three years.

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2024/25

[2] Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

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OTHER INDEPENDENT AUDITOR’S REPORTS

Chavan and Associates, llp
Certified Public Accountants

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
Hillsborough City School District
Hillsborough, California

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 governmental activities, each major fund, and the aggregate remaining fund information of Hillsborough City School District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2024.

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 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

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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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 1, 2024
Morgan Hill, California

16450 Monterey Road, Ste. 5, Morgan Hill, CA 95037
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info@cnallp.com • www.cnallp.com

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Honorable Board of Trustees
Hillsborough City School District
Hillsborough, California

Report of State Compliance

Opinion on State Compliance

We have audited the Hillsborough City School District's (the District) compliance with the types of compliance requirements described in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2024.

In our opinion, Hillsborough City School District complied, in all material respects, with the laws and regulations of the State Programs noted in the table below for the fiscal year ended June 30, 2024.

Basis for Opinion on State Compliance Requirements

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hillsborough City School District and to meet our other ethical responsibilities, in accordance with 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 compliance for the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of Hillsborough City School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state programs.

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Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hillsborough City School District's compliance based on our 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 GAAS, *Government Auditing Standards*, and the *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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 compliance requirements referred to above 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 Hillsborough City School District's compliance with the requirements of applicable state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- 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 we consider 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 2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2023-24 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELOG)	Yes
Career Techical Education Incentive Grant	N/A
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Districts	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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Certified Public Accountants

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 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 a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Accordingly, this report is not suitable for any other purpose.

C & A LLP

November 1, 2024
Morgan Hill, California

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FINDINGS AND RECOMMENDATIONS

Hillsborough City School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ None Reported
Non-compliance material to financial statements noted?	____ Yes __x__ No

State Awards

Internal control over state programs:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ None Reported
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

Finding 2023-001: Instructional Materials (70000)

Criteria or Specific Requirements: California Education Code section 60119 requires the governing board to hold a public hearing or hearings at which the governing board shall encourage participation by parents, teachers, members of the community interest in the affairs of the school district, and bargaining unit leaders for the purpose of making a determination of the sufficiency of the District's textbooks or instructional materials or both. The District is required to hold the public hearing on or before the end of the eighth week from the first day pupils attend school for the year.

Condition: The District was late in holding the required public hearing.

Questioned Costs: None

Recommendation: The District should review California Education Code section 60119 and establish a process to ensure the timing of the public hearings meet Ed. Code.

Status: Implemented