

SAN MATEO UNION HIGH SCHOOL DISTRICT

**MEASURE O AND L
GENERAL OBLIGATION BOND
FUNDS**

SAN MATEO COUNTY, CALIFORNIA

FINANCIAL AND PERFORMANCE AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

**JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**701 HOWE AVENUE, E3
SACRAMENTO, CA**

**(916) 993-9494
(916) 993-9489 FAX
WWW.JPMCPCOM**

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Citizen's Oversight Committee
and Governing Board
San Mateo Union High School District
San Mateo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the Balance Sheet of San Mateo Union High School District (the District) Measure O and L General Obligation Bond Funds (the Funds), and the related statement of revenues, expenditures, and changes in fund balance as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the fund financial statements referred to above present fairly, in all material respects, the financial position of the San Mateo Union High School District Measure O and L General Obligation Bond Funds as of June 30, 2022, and the results of its operations the year then ended in conformity 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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, we:

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

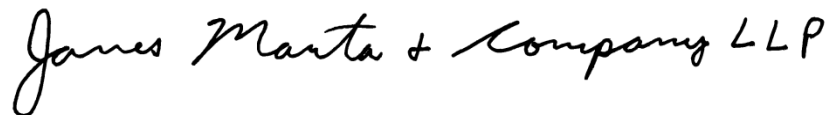
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Matters

As discussed in Note 1, the financial statements referred to above present only the individual Measure O and L General Obligation Bond Funds and are not intended to present fairly the financial position and results of operations of the District in conformity with generally accepted accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2022

BASIC FINANCIAL STATEMENTS

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
BALANCE SHEET
JUNE 30, 2022

	Measure O	Measure L	Total
ASSETS			
Cash and cash equivalents	\$ 13,980,914	\$ 149,541,483	\$ 163,522,397
Total Assets	\$ 13,980,914	\$ 149,541,483	\$ 163,522,397
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 286,438	\$ 10,980,332	\$ 11,266,770
Total Liabilities	286,438	10,980,332	11,266,770
Fund Balances			
Restricted	13,694,476	138,561,151	152,255,627
Total Fund Balance	13,694,476	138,561,151	152,255,627
Total Liabilities and Fund Balances	\$ 13,980,914	\$ 149,541,483	\$ 163,522,397

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Measure O</u>	<u>Measure L</u>	<u>Total</u>
REVENUES			
Other local revenue	\$ 133,876	\$ 1,615,067	\$ 1,748,943
Total Revenues	<u>133,876</u>	<u>1,615,067</u>	<u>1,748,943</u>
EXPENDITURES			
Books and supplies	3,820	60,237	64,057
Service and other operating expenditures	14,582	5,574	20,156
Capital outlay	<u>334,628</u>	<u>45,936,676</u>	<u>46,271,304</u>
Total Expenditures	<u>353,030</u>	<u>46,002,487</u>	<u>46,355,517</u>
Net Change in Fund Balances	(219,154)	(44,387,420)	(44,606,574)
Fund balances, July 1, 2021	<u>13,913,630</u>	<u>182,948,571</u>	<u>196,862,201</u>
Fund balances, June 30, 2022	<u><u>\$ 13,694,476</u></u>	<u><u>\$ 138,561,151</u></u>	<u><u>\$ 152,255,627</u></u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The accounting policies of the Measure O and L General Obligation Bond Funds (the Funds) of San Mateo Union High School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

San Mateo Union High School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Governing Board elected by registered voters of the District, which comprises an area in San Mateo County. The District was established in 1902 and operates six high schools, one continuation high school, and an adult education school.

The fund financial statements presented are for the Measure O and L General Obligation Bond Funds. Since this is just one component of the District, these financial statements are not intended to be a complete presentation of the District's financial position or results of operations. Accordingly, these fund statements do not include a government wide financial statement, management discussion and analysis or related organizational disclosures. The audited financial statements of San Mateo Union High School District include the Measure O and L General Obligation Bond Funds activities, related debt and disclosures as well as management's discussion and analysis.

B. 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, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for within individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The proceeds from the sale of general obligation bonds and the subsequent expenditure of the bond funds are accounted for in the Building Fund of the District. Any premium received from the sale of the bonds is deposited in the Bond Interest and Redemption Fund of the District. The Measure O and L Bond Funds form part and not all of the net financial position in the District's Building Fund which may contain other sources of funding.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

C. ACCOUNTING POLICIES

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. For the District, "available" means collectible within the current period or within 60 days after year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

F. ENCUMBRANCES

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

G. DEPOSITS AND INVESTMENTS

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

G. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

H. CAPITAL AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the General Obligation Bond Funds is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and liabilities are generally included on the balance sheet.

The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure O and L General Obligation Bond Funds are accounted for in the basic financial statements of the District.

I. FUND BALANCE – GOVERNMENTAL FUNDS

As of June 30, 2022, fund balances of the Measure O and L General Obligation Bond Funds are classified as restricted. Restricted funds can only be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

J. USE OF ESTIMATES

The preparation 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2022 consist of cash in the county treasury in the amount of \$163,522,397, of which \$13,980,914 is in Measure O and \$149,541,483 is in Measure L.

A. Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement 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.

Cash in County Treasury consists of District cash held by the San Mateo County Treasury that is invested in the county investment pool. The Treasury permits negative cash balances so long as the District's total cash in county treasury has a positive balance.

The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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).

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period.

B. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

3. MEASURE O AND L GENERAL OBLIGATION BONDS

Measure O

On November 2, 2010, an election was held for Measure O of the registered voters of the District, at which more than fifty-five percent of the voters voting on the proposition approved the issuance and sale of \$186 million principal amount of General Obligation Bonds. The bonds are being issued to 1) prepay the District's 2007 Certificates of Participation, 2) to finance the costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities and 3) to pay certain costs of issuance associated with the bonds.

Measure O had the following bond issues:

<u>Series</u>	<u>Issue Date</u>	<u>Original Issue</u>
2011A	6/15/2011	\$ 89,999,989
2013A	12/20/2013	39,999,941
2015A	5/19/2015	56,000,000
Total		<u>\$ 185,999,930</u>

Measure L

On March 3, 2020, an election was held for Measure L of the registered voters of the District, at which more than fifty-five percent of the voters voting on the proposition approved the issuance and sale of \$385 million principal amount of General Obligation Bonds. The bonds are being issued to finance the costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities and to pay certain costs of issuance associated with the bonds.

Measure L had the following bond issues:

<u>Series</u>	<u>Issue Date</u>	<u>Original Issue</u>
2020A	6/10/2020	\$ 96,250,000
2020B	3/9/2021	96,250,000
Total		<u>\$ 192,500,000</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BOND FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

4. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022, the Building Fund had the following commitments with respect to unfinished capital projects:

<u>Measure O</u>	
Technology	\$ 512,334
PHS Alternate High School	497,163
DO Parking Lot Solar Array	265,000
	<hr/>
Total	<u>\$ 1,274,497</u>

<u>Measure L</u>	
CHS Sports Complex	\$ 5,807,689
MHS Sports Complex	5,807,840
BHS HVAC Replacement	3,567,123
MHS HVAC Replacement	13,745
MHS HVAC Replacement - Ceramic	23,459
SMHS HVAC Replacement - Music	134,308
HHS Domestic Water Line Replacement	24,454
DW Public Address System	1,068,694
AHS Transite Panel	11,109,911
MHS Transite Panel	10,762,630
HHS Exterior Panel Encapsulation	16,980,965
DW Path of Travel Lighting	128,339
DW HVAC Controls	17,546
DW Solar Photovoltaic (PV)	17,900
BHS Gymnasium	1,035,140
SMHS Gymnasium	793,605
SMHS Mech	2,705,872
AHS Baseball	497,500
AHS, HHS, SMHS Pool Lights	503,500
SMHS Chiller/Boiler Replacement	222,785
SMHS Tennis/Baseball Improvement	1,650
	<hr/>
Total	<u>\$ 61,224,654</u>

5. SUBSEQUENT EVENTS

District management evaluated its June 30, 2022 financial statements for subsequent events through December 9, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure O

The following is the full proposition presented to the voters by the San Mateo Union High School District.

"To better prepare local students for college/21st century jobs, shall San Mateo Union High School District provide classrooms/ labs for science, math, and job-training, update educational facilities to meet current safety codes, provide modern classroom technology/computers, support academic programs/ teachers by eliminating debt, and repair, construct and acquire equipment, sites, schools/facilities, by issuing \$186,000,000 in bonds at legal rates, with citizen oversight, no money for administrators' salaries and all funds supporting only local schools?"

The Board of Trustees of the San Mateo Union High School District evaluated the District's urgent and critical facility needs, including safety issues, enrollment trends, class size, and computer and information technology and equipment, in developing the scope of projects to be funded. The District conducted a facilities evaluation and received public input and review in developing this Project List. Teachers, staff, community members and the Board have prioritized the key health and safety needs so that the most critical facility needs are addressed. The Board concluded that if these needs are not addressed now, the problems will only become more pressing. Therefore, in approving this Project List, the Board of Trustees determines that the District should:

- Support teachers and protect academic programs by reducing operating and administrative costs and refinancing loans by retiring construction debt;
- Provide safe, well-maintained classrooms and labs for science, math and other core and alternative academic programs;
- Provide classrooms and labs for job-training programs such as technology and engineering;
- Provide classroom technology and computers to all schools so that students are prepared to go to college and high-paying 21st century jobs;
- Reduce operating costs through energy and resource efficiency and invest the savings to improve academic class offerings;
- Establish a classroom technology and capital improvement and maintenance fund;
- Support English, math, science and other academic programs through improved classroom technology and facilities;
- Retain all bond money to be used in our local community;

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure O (continued)

The Project List is on file at the District Office of the Superintendent and includes the following projects:

Classroom and Science Lab Construction and Renovation Projects to Provide Safe and Comparable Facilities for All Students

Goal and Purpose: To provide needed core academic classrooms, labs and facilities which are earthquake safe and handicapped accessible.

- Construct new classroom buildings and support facilities, which will provide needed classrooms and laboratories for classes in science, math, English, social studies, foreign languages and other core academic classes
- Acquire land and construct a replacement alternative high school to better serve students
- Provide Americans for Disability Act handicap accessibility features as mandated by the Division of the State Architect, including ramps, handicapped parking and bleachers
- Comply with up-to-date fire, earthquake and safety standards
- Install updated wiring to accommodate current educational technology
- Remove hazardous materials
- Refinish damaged and deteriorating exterior walls comprising un-insulated asbestos-cement panels to prevent exposure of potentially hazardous asbestos fibers
- Upgrade fire alarm systems to automatic systems, repair fire safety equipment, and integrate new classrooms in each school's fire safety system
- Replace/upgrade existing security systems
- Upgrade emergency communication systems, including warning systems and public address systems.
- Retrofit electrical systems for classroom technology
- Upgrade outdated heating and ventilation systems
- Improve drainage and water systems

District-Wide Instructional Technology for Effective Learning Environment Projects

Goal and Purpose: To improve current instructional methods, to integrate modern technology into daily student learning, and to provide modern classroom technology to all students.

- Provide and maintain upgraded technology, data and communication equipment
- Upgrade and expand wireless systems, telecommunications, network systems and internet connectivity
- Upgrade and replace computers, hardware and software systems

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure O (continued)

Projects to Reduce Operating Costs

Goal and Purpose: To reduce operating costs and redirect resources to classroom instruction and retaining qualified teachers.

- Augment energy management systems by adding automation and monitoring components to maximize efficiency of existing system facilities
- Upgrade or replace outdated main electrical service to improve efficiency and lower operating costs
- Incorporate solar thermal heating systems and other energy efficiency upgrades to reduce related energy expenditures
- Replace or improve inefficient single-pane windows
- Replace or upgrade mechanical systems
- Refinance loans by retiring construction debt to redirect instructional funds back to the classroom.
- improve insulation, weather proofing and roofs to reduce costs
- implement water conservation projects

The listed projects will be completed as needed. The proceeds of the bonds are expected to be spent on the projects listed above in the following approximate amounts: 60% are expected to be spent on the construction of new classrooms supporting science, technology, general education or the alternative high school programs, health and safety projects and technology upgrades. Included in the 60% are energy, administrative facilities or other efficiency upgrades that will result in savings that will increase general education dollars. The remaining 40% are expected to reduce or retire construction debt which will also generate additional funds to support educational programs and reduce maintenance expenses.

Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, program/project management, staff training expenses and a customary contingency for unforeseen design and construction costs. In addition to the listed repair and construction projects stated above, the Project List also includes the acquisition of a variety of instructional, maintenance and operational equipment, the reduction or retirement of outstanding lease obligations/certificates of participation, the refinancing of any interim funding in the form of lease obligations incurred to advance fund projects from the Project List, or the reimbursement of the District for such reduction, the construction of new schools, if necessary to serve students, the acquisition of land, the construction or remodeling of administrative support spaces, installation of signage and fencing, the payment of the costs of preparation of all facility planning, facility assessment reviews, facility master plan updates, environmental studies (including environmental investigation, remediation and monitoring) and construction documentation, and temporary housing of dislocated District activities caused by bond projects.

Projectors portable interface devices, servers, switches, routers, modules, sound projection, card access systems, laser printers, digital white boards, document projectors, upgraded voice-over IP, call manager and network security/firewall, and other miscellaneous equipment and software.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure O (continued)

In addition to the projects listed above, the repair and renovation of each of the existing school facilities may include, but not be limited to, some or all of the following: renovation of student and staff restrooms; repair and replacement of heating, air conditioning and ventilation systems; upgrade of facilities for energy efficiencies and to reduce fire risks; repair and replacement of worn-out and leaky roofs, windows, walls, doors and drinking fountains; installation wiring and electrical systems to safely accommodate computers, technology and other electrical devices and needs; repair and replacement of fire alarms, emergency communications and security systems; resurfacing or replacing of hard courts, turf and irrigation systems and campus landscaping; build/renovate new gymnasiums, pools and high school stadiums; maintenance facility; technology hub; upgrade or replace inadequate libraries, multi-purpose rooms and kitchens; upgrade locker rooms; install lunch shelters, artificial turf, and bleachers; expand parking; install interior and exterior painting and floor covering; replacement of portable classrooms; installation of covered walkways or shelters; addition of administrative support spaces; upgrade school site kitchens; demolition; and construction of various forms of storage and support spaces; upgrade classrooms; repair, upgrade and install interior and exterior lighting systems; replace water and sewer lines and other plumbing systems; and replace outdated security fences and security systems.

The allocation of bond proceeds will be affected by the District's receipt of State matching funds and the final costs of each project. In the absence of State matching funds, which the District will aggressively pursue to reduce the District's share of the costs of the projects, the District will not be able to complete some of the projects listed above. Some projects may be undertaken as joint use or community use projects in cooperation with other local public or non-profit agencies. Possible joint-use projects could include any of the following at various school sites: libraries, gymnasiums, fields and athletic facilities. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. Based on the final costs of each project, certain projects described above may be delayed or may not be completed. Demolition of existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating more enhanced and operationally efficient campuses. Necessary site preparation/restoration may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing or installing irrigation, storm drain, and utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property. In the event that the District sold the Crestmoor site the District may use the proceeds of the sale, among other purposes, to either retire bond debt or to fund a capital improvement and maintenance fund.

Bond proceeds shall be expended only for the specific purposes identified herein. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to the bond projects. The District shall create an account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure L

The following is the full proposition presented to the voters by the San Mateo Union High School District.

"SAN MATEO UNION HIGH SCHOOL DISTRICT CLASSROOM REPAIR/TECHNOLOGY MEASURE. To upgrade local high schools that prepare students for college and today's competitive global job market; improve school safety; provide modern classroom technology; acquire, construct, repair classrooms, facilities, sites/equipment; update classrooms/labs for science, math/engineering instruction; shall San Mateo Union High School District's measure authorizing \$385,000,000 in bonds at legal rates, levying \$15.55 / \$100,000 assessed value (\$27,200,000 annually) while bonds are outstanding, be adopted, requiring oversight/audits, and no money for administrators' salaries?"

PROJECT LIST

The Board of Trustees of the San Mateo Union High School District is committed to improving the quality of education in local public schools by providing safe, secure, upgraded classrooms, labs and technology needed to support high quality instruction in math, science, engineering and technology. To that end, the Board evaluated the District's urgent and critical facility needs, including safety issues, class size reduction, basic repairs, computer and information technology in developing the types of projects to be funded by this measure as described below. The District conducted a facilities evaluation and received public input in developing this Project List. Teachers, staff, community members and the Board have prioritized the key health and safety needs so that the most critical facility needs are addressed.

In approving this Project List, the Board of Trustees determines that the District must:

- (i) Remove hazardous asbestos from older classrooms and facilities; and
- (ii) Provide classrooms, facilities and technology needed to support high quality instruction in math, science, engineering and technology for both college and competitive global economy jobs; and
- (iii) Attract and retain quality teachers and staff by promoting affordable housing dedicated to school employees; and
- (iv) Keep computer systems and instructional technology up-to-date to ensure our students have access to latest learning methods; and
- (v) Upgrade aging infrastructure, including deteriorating restrooms, leaky roofs, outdated electrical, lighting, heating and fire safety systems; and
- (vi) Adhere to specific fiscal accountability safeguards:
 - (a) All expenditures subject to annual independent financial audits.
 - (b) No money taken by the State. All funds stay local.
 - (c) All expenditures reviewed by an independent citizen oversight committee to ensure that funds are spent only as authorized.

The Project List includes the following types of upgrades and improvements at District schools, facilities and sites:

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure L (continued)

IMPROVE AGING CLASSROOM INFRASTRUCTURE AND SUSTAINABILITY

School Repair and Upgrade Projects Which Promote Student Achievement

Goals and Purposes: Many of the District classrooms and school facilities were built decades ago, and as a result many are aging and need basic health and safety upgrades. This measure will fund the repair of deteriorating restrooms and leaky roofs, replace outdated electrical, lighting, heating, and air conditioning systems, as well as update fire alarm and sprinkler systems.

The rising cost of housing in San Mateo County makes it hard to retain and attract quality teachers and staff. Some commute from as far as Tracy because they cannot afford to live nearby, and many others leave to work in more affordable areas. This measure will assist in the construction of affordable housing dedicated to school employees, so the District can attract and retain high-quality teachers and staff.

This measure is a smart investment as it will improve energy efficiency and sustainability by renovating buildings; improving heating, ventilation, and air conditioning; and installing turf fields that do not need water. These improvements will reduce energy and water use, makes our schools more sustainable, and save money that can be redirected back into the classroom.

- Repair or upgrade aging and leaky plumbing and drinking water systems
- Repair deteriorating walls and facilities containing asbestos
- Provide or convert classrooms, labs and educational facilities to accommodate student population increases
- Repair deteriorating electrical, wiring, heating, cooling and ventilation systems to increase energy efficiency and reduce utility bills
- Remove hazardous materials like asbestos
- Update science, technology and computer labs, including spaces for students to conduct hands-on science, technology and engineering education
- Repair older facilities' walls to prevent rats and mice from entering classrooms

STUDENT SAFETY AND ACHIEVEMENT: LOCAL SCHOOL FUNDING TO SUPPORT HIGH QUALITY INSTRUCTION IN MATH, SCIENCE, ENGINEERING AND TECHNOLOGY

Projects That Improve Student Safety and Success

Goals and Purposes: Many of our high schools are lacking the up-to-date technology students need to succeed. Some classroom technology hasn't been updated in over 25 years, which is before Google and Facebook even existed and before most people had cell phones. This measure will upgrade classrooms, and science labs and computer labs, as well as improve electrical systems and wiring for computers and internet access, to ensure our students will have equal access to exemplary learning.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure L (continued)

This measure will upgrade classrooms, computer systems, and science labs to improve student learning and achievement. These investments will provide students with the technology and skills they need to compete in an increasingly advanced and competitive economy.

Many of our local high schools have outdated and insufficient security features that do not meet current standards or reflect modern safety challenges and risks. This measure will make campus access improvements and other security system upgrades for emergencies to provide safe learning environments for students.

Schools will benefit from a variety of safety and achievement projects, such as:

- Update fire and carbon monoxide alarm systems that meet current safety standards.
- Provide educational facilities which better prepare students for a competitive global economy.
- Provide the classrooms and facilities needed to support high quality instruction in math, science, engineering, and technology.
- Replace out-of-date classroom and instructional technology.
- Provide the classrooms and facilities needed to support high quality instruction.
- Enable campuses to securely lockdown in emergencies.

In addition to the projects listed above, the repair and renovation of each of the existing school facilities may include, but not be limited to, some or all of the following: add or renovate student and staff restrooms; repair and replace electrical, plumbing, heating, ventilation and air conditioning systems; upgrade of facilities for energy efficiencies; repair and/or replace worn-out and deteriorated roofs, boilers, chillers, windows, walls, floors, doors, water lines and drinking fountains; construct or renovate offices and facilities for professional development of teachers, more efficient administration and multi-purpose learning spaces; install wiring and electrical systems to safely accommodate computers, technology and other electrical devices; upgrade or construct classrooms and support facilities including administrative, maker spaces, student union/activity centers, physical education facilities, gyms, tennis courts, music rooms, classrooms or facilities, science and computer labs/classrooms, libraries and buildings, covered eating areas, maintenance facilities and yards; repair and replace fire alarms, emergency communications, public address and security systems; improve facilities to satisfy ADA requirements; resurface or replace asphalt, broken concrete and improve hard courts, turf, install artificial turf on fields, irrigation, and downspout drainage systems and campus landscaping; install signage and pathway lighting, solar systems and fencing; expand parking and drop-off areas; improve all site utilities; acquire land; construct new school buildings; provide interim funding for the construction of teacher and staff housing; upgrade or replace interior and exterior painting, floor covering (including carpets), and school facades; demolition; upgrade or construct kitchens, food service areas, wellness center, and school cafeterias; construct various forms of storage and support spaces and classrooms; improve outdoor learning environments and quads; repair, upgrade and install interior and exterior lighting systems and backup power generators; improve courtyards, sand volley ball and athletic structures, athletic fields and facilities which support student health, fitness and safety, lockers, stadium and hard court bleachers and exterior lighting; acquire vehicles, trucks and buses; construct; replace outdated security fences and security systems (including access control systems and security cameras), provide lunch shelters, indoor space for assemblies or for rainy day lunch; upgrade music labs, multi-purpose rooms, learning centers and media centers; add or upgrade

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure L (continued)

parking lots. In addition to the listed projects stated above, the Project List also includes the acquisition of a variety of instructional, maintenance and operational equipment, including the reduction or retirement of outstanding lease obligations and interim funding incurred to advance fund projects from the Project List; payment of the costs of preparation of all facility planning, facility studies, assessment reviews, facility master plan preparation and updates, environmental studies (including environmental investigation, remediation and monitoring, design and construction documentation, and temporary housing of dislocated District activities caused by construction projects.

The upgrading of technology infrastructure includes, but is not limited to, network rewiring, cabling, computers, portable interface devices, servers, switches, routers, modules, sound projection systems, laser printers, digital white boards, document projectors, upgrade voice-over-IP, clock/telephone/ intercom systems, call manager and network security/firewall, wireless technology systems, refresh classroom technology, miscellaneous IT and instructional equipment, data storage, phones, identity cards and the construction and installation of a data center in the cloud for the District's enterprise systems, such as resource planning, websites, domain name systems, cloud applications and information security. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans and construction documents are finalized, construction bids are received, construction contracts are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be completed. Demolition of portable classrooms and existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating more enhanced and operationally efficient campuses. Necessary site preparation/restoration may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation or drainage systems, utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property. The listed projects will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, program/project management, staff training expenses and a customary contingency for unforeseen design and construction costs. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to bond projects. Bond proceeds shall only be expended for the types of projects and purposes identified herein. The District shall create an account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

FISCAL ACCOUNTABILITY: THIS MEASURE REQUIRES A CLEAR SYSTEM OF ACCOUNTABILITY, INCLUDING A PROJECT LIST DETAILING HOW THE MONEY WILL BE USED, A CITIZEN'S OVERSIGHT COMMITTEE, AND INDEPENDENT AUDITS TO ENSURE MONEY IS SPENT PROPERLY.

IN ACCORDANCE WITH EDUCATION CODE SECTION 15272, THE BOARD OF EDUCATION WILL APPOINT A CITIZENS' OVERSIGHT COMMITTEE AND CONDUCT ANNUAL INDEPENDENT AUDITS TO ASSURE THAT FUNDS ARE SPENT ONLY ON DISTRICT PROJECTS AND FOR NO OTHER PURPOSE. THE EXPENDITURE OF BOND MONEY ON THESE PROJECTS IS SUBJECT TO STRINGENT FINANCIAL ACCOUNTABILITY REQUIREMENTS. BY LAW, PERFORMANCE AND

SAN MATEO UNION HIGH SCHOOL DISTRICT
MEASURE O AND L GENERAL OBLIGATION BONDS
FULL TEXT OF BOND MEASURE

Measure L (continued)

FINANCIAL AUDITS WILL BE PERFORMED ANNUALLY, AND ALL BOND EXPENDITURES WILL BE MONITORED BY AN INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE TO ENSURE THAT FUNDS ARE SPENT AS PROMISED AND SPECIFIED. THE CITIZENS' OVERSIGHT COMMITTEE MUST INCLUDE, AMONG OTHERS, REPRESENTATION OF A BONA FIDE TAXPAYERS ASSOCIATION, A BUSINESS ORGANIZATION AND A SENIOR CITIZENS ORGANIZATION. NO DISTRICT EMPLOYEES OR VENDORS ARE ALLOWED TO SERVE ON THE CITIZENS' OVERSIGHT COMMITTEE.

NO ADMINISTRATOR SALARIES: PROCEEDS FROM THE SALE OF THE BONDS AUTHORIZED BY THIS PROPOSITION SHALL BE USED ONLY FOR THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION, REHABILITATION, OR REPLACEMENT OF SCHOOL FACILITIES, INCLUDING THE FURNISHING AND EQUIPPING OF SCHOOL FACILITIES, AND NOT FOR ANY OTHER PURPOSE, INCLUDING TEACHER AND SCHOOL ADMINISTRATOR SALARIES AND OTHER OPERATING EXPENSES.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**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***

INDEPENDENT AUDITOR'S REPORT

Citizen's Oversight Committee
and Governing Board
San Mateo Union High School District
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund financial statements of the Measure O and L General Obligation Bond Funds of San Mateo Union High School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Measure O and L General Obligation Bond Funds financial statements, and have issued our report thereon dated December 9, 2022.

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 Measure O and L General Obligation Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Measure O and L General Obligation Bond Funds internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

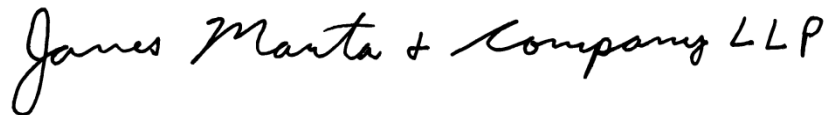
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2022



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT
ON MEASURE O AND L BOND PERFORMANCE**

Citizen's Oversight Committee
and Governing Board
Measure O and L
General Obligation Bond Funds
San Mateo Union High School District
San Mateo, California

Report on Performance

We have completed a performance audit of Measure O and L General Obligation Bonds of San Mateo Union High School District (the "District"), for the year ended June 30, 2022 and have issued our report thereon dated December 9, 2022.

Management's Responsibility

The design, implementation, and maintenance of internal controls relevant to the financial process and compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

Our responsibility is to determine that the District complied with the Measure O and L General Obligation Bonds in accordance with Appendix A of the 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Appendix A of the 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of the procedures performed indicate that the District complied with the requirements identified in Appendix A of the K-12 Local Education Agencies and State Compliance Reporting for the Measure O and L General Obligation Bond funds for the year ended June 30, 2022.

Objectives

The objectives of our performance audit was to determine that the San Mateo Union High School District expended Measure O and L General Obligation Bond funds for the year ended June 30, 2022 only for purposes approved by voters and only for specific projects adopted by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C.

Scope of the Audit

The scope of our performance audit covered the fiscal year ended June 30, 2022. The expenditures included all account and project codes associated with the bond projects. Expenditures before July 1, 2021 and after June 30, 2022 were not reviewed as they were not within the scope of our audit.

Methodology

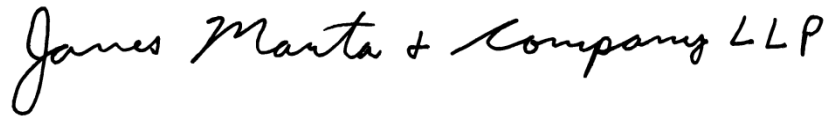
1. We obtained the general ledger for the fiscal year ended June 30, 2022.
2. We selected expenditures to ensure compliance with Proposition 39 and Measure O and L General Obligation Bond Funding.
3. We verified the mathematical accuracy of the expenditures included in the Measure O and L Building Fund detailed general ledger for the fiscal year ended June 30, 2022.
4. We verified that the funds were generally expended for the construction, renovation, furnishing and equipping of school facilities constituting authorized bond projects.
5. Solely to assist us in planning and completing our performance audit, we obtained an understanding of the internal controls of the District.
6. We selected a sample of bond expenditures and performed the following:
 - a. Reviewed the invoices, contracts, warrant copies and other supporting documents to verify the funds were spent in accordance with the list of projects defined in the full Measure O and L bond text.
 - b. For any expenditures that were subject to the bid process, we reviewed supporting documentation to verify that all applicable bid process requirements were satisfied.
 - c. We verified that any change orders for the selected projects were approved by the Board of Trustees.
7. We verified that any funds used to pay the salaries of District employees were allowable per opinion 04-110 issued November 9, 2004 by the State of California Attorney General.

Conclusion

Based on the procedures performed, we found that the San Mateo Union High School District has properly accounted for the expenditures of Measure O and L General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our performance audit and the results of that testing. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. This report is intended solely for the information and use of management and Governing Board of San Mateo Union High School District, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2022