# SAN MATEO-FOSTER CITY SCHOOL DISTRICT
# COUNTY OF SAN MATEO
# FOSTER CITY, CALIFORNIA
# PROPOSITION 39/MEASURE T AND X BONDS

## AUDIT REPORT

**For the Fiscal Year Ended June 30, 2024**

*  *  *

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**
**Proposition 39/Measure T and X Bonds**
**For the Fiscal Year Ended June 30, 2024**

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# FINANCIAL SECTION

Chavan and Associates, llp
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

Measure T and X Bonds Citizens' Oversight Committee and
Governing Board Members
San Mateo-Foster City School District

***Report on the Audit of Financial Statements***

**Opinions**

We have audited the accompanying financial statements of the Measure T and X Bonds of the San Mateo-Foster City School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure T and X Bonds of the San Mateo-Foster City School District, as of June 30, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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.

**Emphasis of a Matter**

As discussed in Note 1, the financial statements present only the Measure T and X Bonds and do not purport to, and do not, present fairly the financial position of the San Mateo-Foster City School District, as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Responsibilities of Management for the Financial Statements**

District management is responsible for the preparation an d 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 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 GAS 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 GAS, 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.

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure T and X Bonds of San Mateo-Foster City School District's basic financial statements. The Schedule of Revenues and Expenditures by Site is presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing


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standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures by Site is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have issued our report dated November 9, 2024, on our consideration of the Measure T and X Bonds of San Mateo-Foster City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 San Mateo-Foster City School District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated November 9, 2024 on our consideration of the Measure T and X Bond's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure T and X Bonds for the fiscal year ended June 30, 2024, and should be considered in assessing the results of our financial audit.

C & A LLP

November 9, 2024
Morgan Hill, California



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**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**
**Measure T and X Bonds**
**Balance Sheet**
**June 30, 2024**

| | | |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ | 105,712,684 |
| Accounts receivable | | 1,181,898 |
| Due from other funds | | 1,425 |
| Total Assets | $ | 106,896,007 |
| | | |
| **Liabilities and Fund Balance** | | |
| Liabilities: | | |
| Accounts payable | $ | 18,255,350 |
| Salary Payable | | 655 |
| Total Liabilities | | 18,256,005 |
| | | |
| Fund balance: | | |
| Restricted for capital projects | | 88,640,002 |
| | | |
| Total Fund Balance | | 88,640,002 |
| | | |
| Total Liabilities and Fund Balance | $ | 106,896,007 |

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**
**Measure T and X Bonds**
**Statement of Revenue, Expenditures and Change in Fund Balance**
**For the Fiscal Year Ended June 30, 2024**

| | |
|---|---|
| **Revenue** | |
| Investment earnings (loss) | $ 7,930,305 |
| Other Revenue | 13,070 |
| Total Revenue | 7,943,375 |
| **Expenditures:** | |
| Classified salaries | 824,845 |
| Classified benefits | 393,863 |
| Supplies and materials | 197,172 |
| Contract services | 214,505 |
| Capital outlay | 100,671,178 |
| Total Expenditures | 102,301,563 |
| Net Change in Fund Balance | (94,358,188) |
| Fund Balance Beginning | 182,998,190 |
| Fund Balance Ending | $ 88,640,002 |

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

San Mateo-Foster City School District (the "District") operates under the laws of the state of California. This District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the state and federal agencies. The District operates fourteen elementary, four middle, two K-8 school, and preschools and before and after school Annex Programs on its school sites.

In November 2015, the District voters authorized $148 million in general obligation bonds ("Measure X") to provide additional classrooms, relieve overcrowding and address increasing enrollment; replace aging portable classrooms, update and add new classrooms, provide modem classrooms, reduce class size, improve handicapped access, repair, construct, and acquire equipment, sites/facilities.

In November 2020, the District voters authorized $409 million in general obligation bonds ("Measure T") to provide additional classrooms, relieve overcrowding and address increasing enrollment; replace aging portable classrooms, update and add new classrooms, provide modem classrooms, reduce class size, improve handicapped access, repair, construct, and acquire equipment, sites/facilities.

An advisory committee to the District's Governing Board and Superintendent, the Measure T and X Bond Oversight Committee ("BOC") was established pursuant to the requirements of state law and the provisions of Measure T and X. The purpose of the BOC is to inform the public concerning the use of bond proceeds. The BOC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The BOC provides oversight and advises the public as to whether the District is spending the Measure T and X funds for school capital improvements within the scope of projects outlined in the Measure T and X Bond Project List. In fulfilling its duties, the BOC reviews, among other things, the District's annual performance and financial audits of Measure T and X activity.

The statements presented are for the Measure T and X general obligation proceeds as issued by the District, through the County of San Mateo, and are not intended to be a complete presentation of the District's financial position or results of operations.

C. Basis of Presentation

**Fund Financial Statements:**

Fund financial statements report detailed information about the District. The Building Fund is a governmental fund and is presented as a major fund in the District's combined financial statements. The Building Fund is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds such as Measure T and X general obligation bonds.

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

D. Basis of Accounting

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

**Revenues - Exchange and Non-exchange Transactions:**

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.

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

**Unearned Revenue:**

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

**Unavailable Revenue:**

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

**Expenditures:**

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. 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 and District superintendent during the year to give consideration to unanticipated income and expenditures.

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

F. Encumbrances

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

G. Assets, Liabilities, and Equity

1. Cash and Investments

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

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

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal

securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

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

2. Investments

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

3. Long-Term Obligations

In the Measure T and X Bonds financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

4. Fund Balance Classification

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

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent.
- Unassigned includes positive fund balance that has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

5. Accounting Estimates

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

## NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

A summary of deposits as of June 30, 2024, is as follows:

| Deposit or Investment | Carrying Amount | Fair Value |
|---|---|---|
| Cash in county treasury investment pool | $ 105,712,684 | $ 105,712,684 |

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.

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 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.

Policies and Practices

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

Risk Disclosures

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

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District maintains cash with the San Mateo County Investment Pool. The pool has a fair value of approximately $2.712 billion and an amortized book value of $2.736 billion.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the County of San Mateo Investment Pool is rated at least A-1 by Standard and Poor's Investor Service.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. 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*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy 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.

Although authorized to invest in more vehicles, the District manages its investment risks by limiting its investments to the County Pool.

## NOTE 3 – MEASURE T AND X GENERAL OBLIGATION BOND

The following schedule summarizes the District's Measure T and X general obligation bonds as of June 30, 2024:

| | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 01, 2023 | Issued | Redeemed | Bonds Outstanding June 30, 2024 |
|---|---|---|---|---|---|---|---|
| Measure X & L 2020 GORB | 8/1/2045 | 2-5% | $ 146,705,000 | $ 132,470,000 | $ - | $ 4,925,000 | $ 127,545,000 |
| Measure T 2020 GOB, Series A | 8/1/2051 | 2.5-4% | 100,000,000 | 93,350,000 | - | 2,605,000 | 90,745,000 |
| Measure T 2020 GOB, Series B | 8/1/2044 | 2.375-4% | 45,000,000 | 45,000,000 | - | 4,125,000 | 40,875,000 |
| Measure T 2020 GOB, Series B | 8/1/2051 | 4-5% | 150,000,000 | 150,000,000 | - | - | 150,000,000 |
| Totals | | | $ 441,705,000 | $ 420,820,000 | $ - | $ 11,655,000 | $ 409,165,000 |

Repayment of the bonds will be funded by a separate property tax levied on property residing within the District boundaries. Property tax revenues will be recorded in a separate Bond Interest and Redemption Fund. The required debt service payments on the bonds will be disbursed from the Bond Interest and Redemption Fund as well. This Bond and Redemption Fund maintained by the San Mateo County Controller's Office and recorded in the District's Debt Service funds is not included in these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

### 2020 General Obligation Refunding Bonds

In April 2020, the District issued $146,705,000 of general obligation refunding bonds for the purpose of refunding $58.79M in Revenue Bonds, Election 2008, Series D (Measure L Bonds) and $64.13M in Revenue Bonds, Election 2015, Series A (Measure X Bonds).

**2020 General Obligation Bonds, Series A and B**

In March 2021, the District issued $145,000,000 of general obligation bonds, Election of 2020, Series A and B. The Series A Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuance of the bonds.

In March 2023, the District issued $150,000,000 of general obligation bonds, Election of 2020, Series B. The Series B Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuance of the bonds.

The following is a summary of the annual debt service requirements as of June 30, 2024:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 10,040,000 | $ 13,841,602 | $ 23,881,602 |
| 2026 | 8,415,000 | 13,376,618 | 21,791,618 |
| 2027 | 1,820,000 | 12,986,344 | 14,806,344 |
| 2028 | 1,695,000 | 12,953,709 | 14,648,709 |
| 2029 | 2,080,000 | 12,916,531 | 14,996,531 |
| 2030-2034 | 29,430,000 | 62,812,948 | 92,242,948 |
| 2035-2039 | 65,835,000 | 55,001,784 | 120,836,784 |
| 2040-2044 | 136,750,000 | 39,815,984 | 176,565,984 |
| 2045-2049 | 88,825,000 | 19,331,295 | 108,156,295 |
| 2050-2054 | 64,275,000 | 3,966,738 | 68,241,738 |
| Total Debt Service | $ 409,165,000 | $ 247,003,553 | $ 656,168,553 |

**NOTE 4 – COMMITMENTS**

There were $108,003,903 of construction commitments in the District's Measure T and X Bond Program as of June 30, 2024.

# SUPPLEMENTARY INFORMATION

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**
**Measure T and X Bonds**
**Schedule of Revenues and Expenditures by Site**
**For the Fiscal Year Ended June 30, 2024**

| | | |
|---|---|---|
| **Revenues:** | | |
| Interest Earnings (Loss) | $ | 7,930,305 |
| Other Revenue | | 13,070 |
| Total Revenues | | 7,943,375 |
| **Site/Project Description:** | | |
| Abbott Middle School | | 677,719 |
| Audubon | | 4,573,000 |
| Bayside S.T.E.M. Academy | | 5,613,380 |
| BaysideTheater - Performing Art | | 122,654 |
| Baywood | | 4,551,967 |
| Beach Park | | 321,974 |
| Beresford | | 1,287,208 |
| Borel Middle School | | 1,501,803 |
| Bowditch Middle School | | 8,751,179 |
| Brewer Island | | 632,875 |
| College Park Elementary School | | 14,726,479 |
| District Office | | 190,942 |
| Districtwide | | 5,701,227 |
| Facilities | | 12 |
| Fiesta Gardens | | 698,595 |
| Foster City | | 3,364,487 |
| George Hall | | 598,892 |
| Highlands | | 8,638,965 |
| Laurel | | 1,326,288 |
| Lead | | 11,391,372 |
| Meadow Heights | | 3,764,487 |
| New Sch San Mateo/NorthCentral | | 1,235,703 |
| New School In Foster City | | 41,887 |
| North Shoreview Montessori | | 651,245 |
| Parkside | | 9,283,523 |
| San Mateo Park | | 2,987,600 |
| Sunnybrae | | 9,606,968 |
| Turnbull Child Development Ctr | | 59,132 |
| Total Expenditures | | 102,301,563 |
| Net Change in Fund Balance | | (94,358,188) |
| Fund Balance Beginning | | 182,998,190 |
| Fund Balance Ending | $ | 88,640,002 |

*The notes to the supplementary information are an integral part of this schedule.*

## NOTE 1 - THE PROGRAM

In November 2015, the voters of the District approved by more than the required 55% favorable vote the San Mateo-Foster City Elementary School District 2015 School Bond ("Measure X"), authorizing the issuance and sale of general obligation bonds, not to exceed $148,000,000.

In November 2020, the voters of the District approved by more than the required 55% favorable vote the San Mateo-Foster City Elementary School District 2020 School Bond ("Measure T"), authorizing the issuance and sale of general obligation bonds, not to exceed $409,000,000.

Measure T and X is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed in the full text of the Measure T and X ballot as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for bond-designated facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure T and X including formation, composition and purpose of the Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

## NOTE 2 - ORGANIZATION

The San Mateo-Foster City School District was established in 1948. The District is located in San Mateo County and there were no changes in District boundaries during the year. The District operates fifteen elementary schools, three middle schools, two K-8 school and one Before and After School Children Annex. The Board of Education for the fiscal year ended June 30, 2024, was comprised of the following members:

| Name | Office | Term Expires |
|---|---|---|
| Alison Proctor | President | 2026 |
| LaTisa M. Brooks | Vice President | 2026 |
| Maggie Trinh | Clerk | 2024 |
| Shara Watkins | Trustee | 2024 |
| Gene Kim | Trustee | 2024 |

## NOTE 3 - CITIZENS' OVERSIGHT COMMITTEE

Duties of the committee include verifying that bond revenues were expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The committee must also verify that no funds were used for any teacher or administrative salaries or other school operation expenses.

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

The committee was formed by the Board trustees as required by state law. The Citizens' Oversight Committee was comprised of the following members during the fiscal year ended June 30, 2024:

| Name | Title/Function | Term Experiation |
|---|---|---|
| Julie Scanlon | Community at Large | March 2025 |
| Fred Baer | Senior Citizen Organization | March 2025 |
| Albert DiMatteo | Community at Large | March 2025 |
| Eric Holm | Taxpayer Organization | March 2025 |
| Annanth Kadambi | Parent w/Child and member of PTA | March 2025 |
| Wayne Pitcher | Senior Citizen Organization | March 2025 |
| Charlie Royce | Business Community Active Member | March 2025 |
| James E.Sell | Community at Large | March 2025 |

# SCHEDULE OF FINDINGS
# AND
# RECOMMENDATIONS

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**
**Measure T and X Bonds**
**Schedule of Findings and Recommendations**
**For the Fiscal Year Ended June 30, 2024**

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

Our tests resulted in no findings and recommendations.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**
**Measure T and X Bonds**
**Schedule of Prior Year Findings**
**For the Fiscal Year Ended June 30, 2024**

There were no prior year findings and recommendations to be reported.

# OTHER INDEPENDENT AUDITOR'S REPORTS

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Measure T and X Bonds Citizens' Oversight Committee and
Governing Board Members
San Mateo-Foster City School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure T and X Bonds of the San Mateo-Foster City School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise San Mateo-Foster City School District's Measure T and X Bonds financial statements, and have issued our report thereon dated November 9, 2024.

## *Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the San Mateo-Foster City School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Mateo-Foster City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Mateo-Foster City School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 or significant deficiencies may exist that were not identified.

## *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the San Mateo-Foster City School District's financial statements are free from material misstatement, we performed tests of its compliance with


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certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 9, 2024
Morgan Hill, California



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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Measure T and X Citizens' Oversight Committee and
Governing Board Members
San Mateo-Foster City School District

***Performance Audit***

We were engaged to conduct a performance audit of the San Mateo-Foster City School District (District) Measure T and X Fund (Fund) for the year ended June 30, 2024.

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

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the 2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

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

The results of our tests indicated that the District expended 2020 Measure T and 2015 Measure X Funds only for the specific projects approved by the voters in accordance with Proposition 39, and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

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

***Auditor Objectives***

Our audit included the following objectives:

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the Measure T and X, and verify that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.


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2. Determine whether salary transactions charged to the Fund were in support of Measure T and X and not for District general administration or operations, and verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

***Scope***

The scope of our performance audit covered the period of July 1, 2023 to June 30, 2024. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2024 were not reviewed or included within the scope of our audit or in this report.

***Methodology***

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

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:

    a. We considered all expenditures recorded in all object codes, including transfers out.
    b. We considered all expenditures recorded in all projects that were funded from July 1, 2023 through June 30, 2024 from Measure T and X bond proceeds.
    c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified as individual transactions (expenditures) that exceeded approximately 5% of the total expenditures incurred.
    d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2023 and ending June 30, 2024.

3. We examined 72% of all expenditures within the bond program to ensure they were valid, allowable, accurate, charged to the facilities projects, and expended on specific projects listed in the text of the applicable ballot measure.by vouching the actual invoices and other supporting documentation to determine that:

    a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
    b. Expenditures were supported by proper bid documentation, as applicable.
    c. Expenditures were expended in accordance with voter-approved bond project list.
    d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District


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4. We verified that salary transactions charged to the Fund were in support of Measure T and X and not for District general administration or operations, and verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General by vouching to supporting records such as offer letter, position control reports, timecards and payroll reports.

5. We verified that the District was in compliance with Assembly Bill 1908 and Ed Code Section 15278, where the District is required to establish a bond oversight committee for Proposition 39 bonds that includes one active member from each of the following sectors: a business organization, senior citizens' organization, bona fide taxpayer's association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.

6. We verified the Citizens' Oversight Committee met pursuant to Education Code Section 15280.

***Conclusion***

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

C & A LLP

November 9, 2024
Morgan Hill, California



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