

# PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2024

## NEW ISSUE - FULL BOOK-ENTRY

**RATING: S&P: "AAA"**

**See "RATING" herein.**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

**\$40,000,000\***

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**General Obligation Bonds**  
**Election of 2022, Series B**

**\$15,000,000\***

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**(San Mateo County, California)**  
**2024 Refunding General Obligation Bonds**

**Dated: Date of Delivery.**

**Due: As shown on inside front cover.**

**Authority and Purposes.** The above-captioned bonds (collectively, the "Bonds") are being issued by the Hillsborough City School District (the "District") of San Mateo County (the "County"), California, pursuant to applicable provisions of the California Government Code and two separate resolutions adopted by the Board of Trustees of the District on September 10, 2024. Proceeds of the Election of 2022, General Obligation Bonds, Series B (the "New Money Bonds") will be applied to finance school facility improvement projects authorized by District voters at an election held on June 7, 2022, which authorized the issuance of \$140,000,000 principal amount of general obligation bonds school facility improvement projects (the "2022 Bond Authorization"), and to pay related costs of issuance. Proceeds of the 2024 Refunding General Obligation Bonds (the "Refunding Bonds") will be applied to purchase, following a tender offer process described below and herein, certain maturities of the District's outstanding general obligation refunding bonds (the "Target Bonds") as more particularly identified herein under the heading "THE FINANCING AND REFINANCING PLAN - The Tender Offer", and to pay related issuance costs. See "THE FINANCING AND REFINANCING PLAN" and "THE BONDS – Authority for Issuance" herein.

**Invitation to Tender; Tender Bonds.** The District, with the assistance of Raymond James & Associates, Inc., as dealer manager (the "Dealer Manager"), has released an "Invitation to Tender For Purchase made by the Hillsborough City School District" dated October 2, 2024 (the "Tender Offer") inviting owners of the Target Bonds to tender such bonds for purchase by the District. The Tender Offer, unless extended or cancelled, is expected to expire on October 15, 2024 (the "Expiration Date"). The District will purchase all of the Target Bonds tendered for purchase and accepted by the District pursuant to the Notice of Acceptance of Tendered Bonds, expected to be dated October 16, 2024\*. **Such tender is expected to close concurrently with the issuance of the Bonds, and the District's ability to fund the purchase of such Target Bonds is contingent on the issuance of the Refunding Bonds.** See "THE FINANCING AND REFINANCING PLAN – The Tender Offer."

**Security.** The Bonds are general obligations of the District payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County Board of Supervisors is empowered and is obligated to annually levy *ad valorem* taxes for the payment by the District of principal of and interest on (and the Accreted Value of, as applicable, and as defined herein) the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding that are similarly secured by *ad valorem* property taxes levied on the taxable property in the District and are secured on a co-equal basis with the Bonds described herein. See "SECURITY FOR THE BONDS."

**Book-Entry Only.** The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**Payments.** The Bonds are dated the date of delivery. The New Money Bonds are being issued as Current Interest Bonds (as defined herein). The Refunding Bonds are being issued as Current Interest Bonds and as Capital Appreciation Bonds (as defined herein). The Current Interest Bonds will accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1 until maturity or earlier redemption, commencing March 1, 2025. The Capital Appreciation Bonds accrete interest at the accretion rates set forth on the inside cover page hereof compounded semiannually on March 1 and September 1 of each year, commencing on March 1, 2025 until payment of the Accreted Value (defined herein) thereof at maturity or upon earlier redemption. Payments of principal and Accreted Value of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

**Redemption.\*** The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "Mandatory Sinking Fund Redemption."

---

## MATURITY SCHEDULES

(See inside cover)

---

**Cover Page.** This cover page contains information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Nixon Peabody LLP, San Francisco, California is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about October 31, 2024\*.*

**RAYMOND JAMES®**

The date of this Official Statement is \_\_\_\_\_, 2024.

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

# MATURITY SCHEDULES\*

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
(San Mateo County, California)  
**General Obligation Bonds, Election of 2022**  
**Series B**

Base CUSIP<sup>†</sup>: 432272

\$\_\_\_\_\_ Principal Amount  
Current Interest Bonds

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup></b>
--	-----------------------------	----------------------	--------------	--------------	--------------------------

(Continued on Next Page)

\*Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by FactSet Research Systems Inc. © 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience only. Neither of the District nor the Underwriter takes any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

# MATURITY SCHEDULES\*

(Continued from Previous Page)

## HILLSBOROUGH CITY SCHOOL DISTRICT (San Mateo County, California) 2024 Refunding General Obligation Bonds

Base CUSIP<sup>†</sup>: 432272

\$\_\_\_\_\_ Principal Amount  
Current Interest Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup>
--------------------------------	---------------------	---------------	-------	-------	--------------------

\$\_\_\_\_\_ Denominational Amount  
(\$\_\_\_\_\_ Maturity Value)  
Capital Appreciation Bonds

Maturity Date (September 1)	Denominational Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP <sup>†</sup>
--------------------------------	--------------------------	----------------	----------------------	----------------	--------------------

\*Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by FactSet Research Systems Inc. © 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience only. Neither of the District nor the Underwriter takes any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

**DISTRICT BOARD OF TRUSTEES**

Kim Oliff, *President*  
Don Geddis, *Vice President*  
Greg Dannis, *Clerk*  
An Huang Chen, *Member*  
Gilbert Wai, *Member*

**DISTRICT ADMINISTRATION**

Ana de Arce, *Superintendent*  
Joyce Shen, *Chief Business Official*

**MUNICIPAL ADVISOR**

Isom Advisors, a Division of Urban Futures, Inc.  
*Walnut Creek, California*

**BOND and DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**BOND REGISTRAR, TRANSFER AGENT and PAYING AGENT**

The Bank of New York Mellon Trust Company, N.A.  
*Dallas, Texas*

**UNDERWRITER'S COUNSEL**

Nixon Peabody LLP  
*San Francisco, California*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Bond owner and the District or the Underwriter.

**No Offering Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Information in Official Statement.** The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The presentation of information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

**Involvement of Underwriter.** The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Stabilization of and Changes to Offering Prices.** The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Document Summaries.** All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

**No Securities Laws Registration.** The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

**Website.** The District maintains a website and certain social media accounts. However, the information presented therein is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
THE FINANCING AND REFINANCING PLAN .....	4
The New Money Bonds .....	4
The Tender Offer .....	4
The Target Bonds .....	6
SOURCES AND USES OF FUNDS .....	7
THE BONDS .....	8
Authority for Issuance .....	8
Description of the Bonds .....	8
Definitions .....	8
Current Interest Bonds .....	9
Capital Appreciation Bonds .....	9
Book-Entry Only System .....	10
Optional Redemption .....	11
Mandatory Sinking Fund Redemption .....	11
Notice of Redemption .....	12
Partial Redemption of Bonds .....	12
Right to Rescind Notice of Optional Redemption .....	12
Registration, Transfer and Exchange of Bonds .....	13
Defeasance .....	13
DEBT SERVICE SCHEDULES .....	15
SECURITY FOR THE BONDS .....	18
<i>Ad Valorem</i> Taxes .....	18
Debt Service Funds .....	19
Not a County Obligation .....	19
Disclosure Relating to COVID-19 Pandemic .....	19
PROPERTY TAXATION .....	20
Property Tax Collection Procedures .....	20
Taxation of State-Assessed Utility Property .....	21
Assessed Valuation .....	22
Reassessments and Appeals of Assessed Value .....	24
Tax Rates .....	25
Tax Levies and Delinquencies .....	26
Major Taxpayers .....	27
Direct and Overlapping Debt .....	28
TAX MATTERS .....	29
Tax Exemption .....	29
Other Tax Considerations .....	30
Forms of Opinions .....	30
CERTAIN LEGAL MATTERS .....	31
No Material Litigation .....	31
Legality for Investment .....	31
Cyber Risks .....	31
Compensation of Certain Professionals .....	32
CONTINUING DISCLOSURE .....	32
RATING .....	33
UNDERWRITING .....	33
ADDITIONAL INFORMATION .....	34
EXECUTION .....	34
APPENDIX A - GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT .....	A-1
APPENDIX B - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2022-23 .....	B-1
APPENDIX C - GENERAL INFORMATION ABOUT THE TOWN OF HILLSBOROUGH AND SAN MATEO COUNTY .....	C-1
APPENDIX D - PROPOSED FORMS OF OPINIONS OF BOND COUNSEL .....	D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	E-1
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM .....	F-1
APPENDIX G - SAN MATEO COUNTY INVESTMENT POOL – INVESTMENT POLICY AND INVESTMENT REPORT .....	G-1
APPENDIX H - TABLE OF ACCRETED VALUES .....	H-1

# OFFICIAL STATEMENT

**\$40,000,000\***

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
(San Mateo County, California)  
General Obligation Bonds  
Election of 2022, Series B

**\$15,000,000\***

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
(San Mateo County, California)  
2024 Refunding General Obligation Bonds

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the captioned General Obligation Bonds, Election of 2022, Series B (the “**New Money Bonds**”) and 2024 Refunding General Obligation Bonds (the “**Refunding Bonds**”), and together with the New Money Bonds, the “**Bonds**”), both by the Hillsborough City School District (the “**District**”) of San Mateo County (the “**County**”), State of California (the “**State**”).

## INTRODUCTION

*This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.*

**The District.** The District was established as a school district on August 14, 1911 and is located in the residential community known as the Town of Hillsborough (the “**Town**”), an unincorporated community in the County with a population of over 11,000 residents, located 17 miles south of San Francisco on the San Francisco Peninsula, bordered by the City of Burlingame to the north, the City of San Mateo to the east, and the community known as Highlands-Baywood Park to the South. The students are primarily residents of the Town with instruction provided at four school sites. The District’s enrollment is approximately 1,260 students in fiscal year 2024-25, and there are no charter schools operating in District boundaries. Total assessed value in the District for fiscal year 2023-24 was over \$13.2 billion.

*For more information regarding the District and its finances, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other information regarding the Town and the County.*

**Basic Aid Status for Education Funding.** The District benefits from its status as a “**Basic Aid**” or “**Community Supported District**” for purposes of education funding. The District has had this status since the 1990-91 fiscal year. As such, the District is entitled to keep its share of local property taxes which exceed its funding entitlement under the State’s education funding formula. The District estimates that for fiscal year 2024-25, it will be funded at approximately 209 percent of what it would be funded as a non-Basic Aid district, which is more than twice the amount of funding that it would receive under the State’s funding formula. Notwithstanding the District’s Basic Aid status, the Bonds described herein are secured by voter-approved *ad valorem* property taxes, and not the District’s General Fund. See “SECURITY FOR THE BONDS” herein.

*\*Preliminary; subject to change.*

**Purposes of the Bonds.** The net proceeds of the New Money Bonds will be used to finance improvements to District school facilities as authorized by District voters at an election held in the District on June 7, 2022 (the “**2022 Bond Authorization**”), and to pay related costs of issuance. The net proceeds of the Refunding Bonds will be used to purchase, pursuant to the Tender Offer (as defined herein), certain maturities of the District’s outstanding general obligation refunding bonds, as more particularly identified herein (the “**Target Bonds**”), and to pay related costs of issuance. See “THE FINANCING AND REFINANCING PLAN.”

**Tender Bonds; Tender Offer.** The District, with the assistance of Raymond James & Associates, Inc., as dealer manager (in such capacity, the “**Dealer Manager**”), has released an “Invitation to Tender For Purchase made by Hillsborough City School District” dated October 2, 2024 (the “**Tender Offer**”). The Tender Offer will expire on October 15, 2024 (the “**Expiration Date**”). The District expects to purchase some or all of the Target Bonds tendered for purchase and accepted by the District pursuant to the Notice of Acceptance of Tendered Bonds, dated October 16, 2024. Such tender is expected to close concurrently with the issuance of the Refunding Bonds, and the District’s ability to fund the tender of such purchased Target Bonds is contingent on the issuance of the Refunding Bonds. The District is under no obligation to accept any of the Target Bonds that are tendered for purchase pursuant to the Tender Offer. See “THE FINANCING AND REFINANCING PLAN – Tender Offer.”

**Authority for Issuance of the Bonds.** The Bonds will be issued pursuant to applicable provisions of the California Government Code and pursuant to two separate resolutions adopted by the Board of Trustees of the District on September 10, 2024 (each, a “**Bond Resolution**”). See “THE BONDS – Authority for Issuance” herein.

**Payment and Registration of the Bonds.** The Bonds mature in the years and in the amounts as set forth on the inside cover pages hereof. The New Money Bonds are being issued as Current Interest Bonds (as defined herein). The Refunding Bonds are being issued as Current Interest Bonds and as Capital Appreciation Bonds (as defined herein). The Current Interest Bonds will accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1 until maturity or earlier redemption, commencing March 1, 2025. The Capital Appreciation Bonds accrete interest at the accretion rates set forth on the inside cover page hereof compounded semiannually on March 1 and September 1 of each year, commencing on March 1, 2025 until payment of the Accreted Value (defined herein) thereof at maturity or upon earlier redemption. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Security and Sources of Payment for the Bonds.** Both series of the Bonds described herein are general obligation bonds of the District, payable by the District solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County pursuant to the applicable original bond authorization proceedings. The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment by the District of the principal of and interest on (and the Accreted Value of, as applicable) each series of the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS.”

The District has other series of general obligation bonds outstanding that are payable from *ad valorem* property taxes levied on taxable property in the District. The Bonds have a co-equal



lien on the *ad valorem* property taxes levied to pay debt service thereon with each other and with all other outstanding general obligation bonds of the District. See “DEBT SERVICE SCHEDULES” and “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations - General Obligation Bonds” in APPENDIX A.

**Redemption.** The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS – Optional Redemption” and “– Mandatory Sinking Fund Redemption.”

**Tax Matters.** In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” and Appendix D hereto for the forms of Bond Counsel’s opinions to be delivered concurrently with the Bonds, respectively.

**Other Information.** This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the Superintendent’s Office at 300 El Cerrito Avenue, Hillsborough, California 94010, Telephone: (650) 342-5193. The District may impose a charge for copying, mailing and handling.

*This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each of such documents, statutes and constitutional provisions.*

*Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but this information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.*

## THE FINANCING AND REFINANCING PLAN

### The New Money Bonds

The proceeds of the New Money Bonds will be used to finance projects approved by the voters in connection with the 2022 Bond Authorization, which authorized the issuance of \$140,000,000 principal amount of general obligation bonds for the purpose of financing the construction and improvement of school facilities, together with related costs of issuing the Bonds. The abbreviated form of the 2022 Bond Authorization, known as “Measure H”, is as follows:

*“To upgrade aging school facilities and classrooms for science, technology, engineering, arts, and math instruction; repair/replace deteriorating roofs, plumbing, electrical, heating/cooling and ventilation systems; upgrade schools to meet current earthquake/fire standards, and replace outdated portables with permanent classrooms, shall Hillsborough City School District’s measure to issue \$140,000,000 in bonds at legal interest rates be adopted, raising \$6,600,000 annually averaging 3 cents per \$100 of assessed value while bonds are outstanding, with independent oversight and audits?”*

As part of the ballot materials presented to District voters in connection with the 2022 Bond Authorization, the voters authorized a specific list of projects (the “**Project List**”) eligible to be funded with proceeds of bonds sold pursuant to the 2022 Bond Authorization, including the New Money Bonds described herein. The District makes no representation as to the specific application of the proceeds of the New Money Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2022 Bond Authorization will provide sufficient funds to complete any particular project listed in the Project List. The New Money Bonds will be the second series of general obligation bonds issued by the District pursuant to the 2022 Bond Authorization, following the issuance of its General Obligation Bonds, Election of 2022, Series A which was issued on September 21, 2022 in the aggregate principal amount of \$34,000,000. Following the issuance of the New Money Bonds, \$66,000,000\* principal amount of the 2022 Bond Authorization will be authorized but unissued.

### The Tender Offer

The net proceeds of the Refunding Bonds will be used to purchase certain maturities of the District’s outstanding general obligation bonds and general obligation refunding bonds referred to herein collectively as the Target Bonds all as more particularly described below.

Concurrently herewith, the District, with the assistance of the Dealer Manager, has released the Tender Offer inviting owners of the Target Bonds listed in the Tender Offer and described in the tables below to tender such Target Bonds for purchase by the District. Such purchase of tendered Target Bonds is intended to be financed with the net proceeds of the Refunding Bonds. The purpose of the Tender Offer is to refund the Target Bonds on the date of issuance of the Refunding Bonds (the “**Settlement Date**”) in order to produce present value debt service savings.

---

\*Preliminary, subject to change.

As set forth in the Tender Offer, the owners of the Target Bonds may tender such Target Bonds for cash and, subject to the conditions set forth therein, the District expects to purchase the Target Bonds that are accepted for purchase, pursuant to the terms and at the purchase prices set forth in the Tender Offer. The purchase price of the Target Bonds, which were issued on a federally taxable basis, will be determined as further described below.

For Taxable Target Bonds, the purchase will be made pursuant to the terms set forth in the Tender Offer and at the purchase prices set forth in a Determination of Taxable Target Bonds Purchase Prices expected to be dated October 16, 2024 identifying either a confirmation or amendment to the fixed spread (the “**Fixed Spread**”) for each CUSIP for the Taxable Bonds tendered pursuant to the Tender Offer which Fixed Spreads will be set forth in the Pricing Notice, expected to be dated October 9, 2024.

The Target Bonds accepted by the District for purchase pursuant to the Tender Offer (the “**Purchased Target Bonds**”) are expected to be refunded and cancelled on the Settlement Date and shall no longer be deemed outstanding under the applicable original authorizing resolution and other governing documentation. Funds to pay the purchase price of the Purchased Target Bonds, and to pay the costs of the Tender Offer, will be provided from the proceeds of the Refunding Bonds.

The foregoing discussion is not intended to summarize all of the terms of the Tender Offer and reference is made to the Tender Offer for the terms of the Tender Offer and the conditions for settlement of the Target Bonds validly tendered and accepted for purchase.

Based on the results of the Tender Offer, the Target Bonds listed in the Tender Offer may be (i) purchased pursuant to the Tender Offer, or (ii) remain outstanding.

The Target Bonds are described in the below tables, and those Purchased Target Bonds, as more particularly described in the Tender Offer, will be listed in the final Official Statement. Subject to satisfaction of all conditions to the District’s obligation to purchase the Target Bonds tendered for purchase pursuant to the Tender Offer, payment by the District will be made through DTC on the Settlement Date. The District expects that, in accordance with DTC’s standard procedures, DTC will transmit the aggregate Purchase Prices (as described in the Tender Offer) to be paid for the Purchased Target Bonds (plus accrued or accreted interest, as applicable) to DTC participants holding the Purchased Target Bonds on behalf of bondowners for subsequent disbursement to the bondowners. The District, the Dealer Manager and the Information Agent and Tender Agent have no responsibility or liability for the distribution of the Purchase Prices paid and accrued interest by DTC to DTC participants or by DTC participants to bondowners.

The District expects to purchase Purchased Targeted Bonds at their respective Purchase Prices in amounts expected to achieve the District’s financing goals. The District’s ability to fund the tender of such Purchased Target Bonds is based on the issuance of the Refunding Bonds. **The issuance of the Refunding Bonds is dependent on the results of the Tender Offer as described in this Official Statement.** The final decision to purchase Target Bonds and, if less than all of the Target Bonds that are tendered are purchased, which Target Bonds will be accepted for purchase by the District, will be based upon market conditions associated with the sale of the Refunding Bonds and other factors outside of the control of the District. No assurances can be given that any Target Bonds bondholders will tender any portion of the Target Bonds, and the District is not obligated to accept any valid or timely tender made by a Target Bonds bondholder.

Therefore, there can be no assurances that the Tender Offer will result in the tender of any of the Target Bonds.

## The Target Bonds

The following tables show information with respect to the specific maturities of the Target Bonds which may be purchased with the net proceeds of the Refunding Bonds. Only the maturities of Target Bonds that are tendered and accepted for purchase by the District are considered Purchased Target Bonds. Following the Settlement Date, Purchased Target Bonds shall be cancelled and shall no longer be outstanding.

The proceeds of the Refunding Bonds are intended to be applied to purchase the following Target Bonds:

**Hillsborough City School District  
(San Mateo County, California)  
2020 Refunding General Obligation Bonds  
(Federally Taxable)**

**Current Interest Bonds\***

<u>CUSIP No.†</u>	<u>Maturity Date (September 1)</u>	<u>Interest Rate</u>	<u>Par Amount Outstanding</u>
432272FU1	2025	1.184%	\$1,135,000
432272FV9	2026	1.373	1,210,000
432272FW7	2027	1.523	1,295,000
432272GJ5	2028	1.740	175,000
432272GK2	2029	1.840	175,000
432272GL0	2030	1.940	180,000

**Capital Appreciation Bonds\***

<u>CUSIP No.†</u>	<u>Maturity Date (September 1)</u>	<u>Accretion Rate</u>	<u>Original Denominational Amount Outstanding</u>
432272FX5	2031	2.640%	\$778,953.45
432272FY3	2032	2.690	4,875,421.25
432272FZ0	2033	2.790	4,994,136.00
432272GA4	2034	2.890	5,099,447.85
432272GB2	2035	2.970	5,218,750.90
432272GC0	2036	3.086	5,293,863.80
432272GD8	2037	3.206	5,357,743.40
432272GE6	2038	3.286	5,447,748.60
432272GF3	2039	3.336	5,565,128.80
432272GG1	2040	3.386	4,178,850.75

*\*Preliminary; subject to change.*

*† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by FactSet Research Systems Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.*

## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

### HILLSBOROUGH CITY SCHOOL DISTRICT Sources and Uses

<b>Sources of Funds</b>	<b>New Money Bonds</b>	<b>Refunding Bonds</b>
Principal Amount of Bonds		
Plus Net Original Issue Premium		
<b>Total Sources</b>		
<hr/>		
<b>Uses of Funds</b>		
Deposit to Building Fund		
Deposit to Debt Service Fund		
Purchase of Target Bonds		
Costs of Issuance <sup>(1)</sup>		
<b>Total Uses</b>		

*(1) Estimated costs of issuance include, but are not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, Municipal Advisor, the Paying Agent, Escrow Agent, Dealer Manager, Dealer Manager's Counsel, Tender and Information Agent and other costs relating to the Tender Offer, and fees of the rating agency.*

## THE BONDS

### Authority for Issuance

The New Money Bonds will be issued pursuant to the 2022 Bond Authorization, certain provisions of the Government Code of the State commencing with Section 53506 thereof (the “**New Money Bond Law**”), and the applicable resolution adopted by the Board of Trustees of the District on September 10, 2024 (the “**New Money Bond Resolution**”).

The Refunding Bonds will be issued pursuant to certain provisions of the Government Code of the State commencing being Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the “**Refunding Bond Law**”), and the applicable resolution adopted by the Board of Trustees of the District on September 10, 2024 (the “**Refunding Bond Resolution**”).

### Description of the Bonds

The Bonds are being issued as Current Interest Bonds and as Capital Appreciation Bonds as defined and as described below. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”). See “-Book-Entry Only System” below and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.” See also the maturity schedules on the inside cover page of this Official Statement and “DEBT SERVICE SCHEDULES” herein.

### Definitions

The following terms used herein have the following meanings with respect to the Bonds:

“**Accreted Value**” means, with respect to any Capital Appreciation Bond, the total amount of principal thereof and interest payable thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Capital Appreciation Bond. The Accreted Value of any Capital Appreciation Bond as of any date other than a Compounding Date will be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined under the preceding clause (a), computed to the date as of which the calculation is being made at the Accretion Rate set forth on such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).

“**Accretion Rate**” means the rate which, when applied to the principal amount of any Capital Appreciation Bond and compounded semiannually on each Compounding Date, produces the Maturity Value of such Capital Appreciation Bond on the maturity date thereof.

“**Capital Appreciation Bonds**” means Bonds the interest on which is compounded semiannually on each Compounding Date and is payable in full at maturity (or at the Accreted Value thereof upon earlier redemption) as shown in the table of Accreted Value for the Capital Appreciation Bonds and attached to this Official Statement as Appendix H.

**“Closing Date”** means the date upon which there is a delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Underwriter (as defined herein).

**“Compounding Date”** means, with respect to any Capital Appreciation Bond, each March 1 and September 1, commencing March 1, 2025, to and including the date of maturity or redemption of such Capital Appreciation Bond.

**“Current Interest Bonds”** means the Bonds the interest on which is payable on a current basis on each Interest Payment Date.

**“Denominational Amount”** means, with respect to any Capital Appreciation Bond, the original amount of such Capital Appreciation Bond as of the Closing Date.

**“Interest Payment Dates”** means, with respect to any Current Interest Bond, March 1 and September 1 in each year during the term of such Bond, commencing on March 1, 2025, to and including the date of maturity or redemption of such Current Interest Bond.

**“Maturity Value”** means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond to be paid at maturity.

### **Current Interest Bonds**

The Current Interest Bonds accrue interest at the interest rates set forth on the inside cover hereof computed on the basis of a 360-day year consisting of twelve 30-day months, which is payable on a current basis. The Current Interest Bonds shall be issued in the denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Current Interest Bonds is payable semiannually on each Interest Payment Date. Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15<sup>th</sup>) day of the month preceding the Interest Payment Date (each, a **“Record Date”**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to February 15, 2025, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Current Interest Bond is in default at the time of authentication thereof, such Current Interest Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Current Interest Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as the designated paying agent, registrar and transfer agent (the **“Paying Agent”**) to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Current Interest Bonds.

### **Capital Appreciation Bonds**

*As provided in the Bond Resolution, references therein and in this Official Statement to the payment of the principal of and interest on the Bonds includes payment of the Accreted Value and Maturity Value of the Capital Appreciation Bonds, unless otherwise required by the context*

*or by the express provisions of such reference. Further, whenever in the Bond Resolution or in this Official Statement, any reference is made to the rights of the owners of the Bonds as measured by the principal amount of such Bonds, the principal amount of the Capital Appreciation Bonds is deemed to be the Accreted Value thereof as of the date of exercise of such rights.*

The Capital Appreciation Bonds are dated the date of delivery and accrete interest from such date at the interest rates set forth on the inside cover hereof. The Denominational Amount of each maturity of the Capital Appreciation Bonds shall be as shown on the inside cover page hereof. The Capital Appreciation Bonds are issued in denominations such that the Maturity Value thereof shall equal \$5,000 or an integral multiple thereof. The Capital Appreciation Bonds are payable only at maturity, in the years and amounts set forth on the inside cover page hereof, or upon the redemption thereof as described herein.

Interest on the Capital Appreciation Bonds is compounded on each Compounding Date. Each Capital Appreciation Bond accretes in value daily over the term to its maturity, from its Denominational Amount on the Closing Date to its Accreted Value on its maturity date. The Accreted Value payable on any date shall be determined solely by reference to the Table of Accreted Values attached to such Capital Appreciation Bond. See "APPENDIX H – TABLE OF ACCRETED VALUES."

The interest portion of the Accreted Value of any Capital Appreciation Bond that is payable on the date of maturity shall represent interest accreted and coming due on such date. The Accreted Value of any Capital Appreciation Bond at maturity shall be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the Office of the Paying Agent.

### **Book-Entry Only System**

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on, and the Accreted Value of, the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for payments made on account of beneficial ownership or any aspects of the records relating thereto, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.



## Optional Redemption\*

Optional Redemption of New Money Bonds. The New Money Bonds maturing on or before September 1, 20\_\_ are not subject to redemption prior to maturity. The New Money Bonds maturing on or after September 1, 20\_\_ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on September 1, 20\_\_, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Optional Redemption of Refunding Bonds. The Refunding Bonds maturing on or before September 1, 20\_\_ are not subject to redemption prior to maturity. The Refunding Bonds maturing on or after September 1, 20\_\_ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on September 1, 20\_\_, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Selection of Redeemed Bonds. Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For the purpose of selection for optional redemption, Bonds will be deemed to consist of \$5,000 portions (principal amount), and any such portion may be separately redeemed. The Bonds may all be separately redeemed.

## Mandatory Sinking Fund Redemption\*

New Money Term Bonds. The New Money Bonds maturing on September 1, 20\_\_, and September 1, 20\_\_ (the “**New Money Term Bonds**”), are subject to mandatory sinking fund redemption on September 1 of each year in accordance with the schedules set forth below. The New Money Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payments amounts and on the dates set forth below, without

### **New Money Term Bonds Maturing September 1, 20\_\_**

<b>Redemption Date (September 1)</b>	<b>Sinking Fund Redemption</b>
--	------------------------------------

### **New Money Term Bonds Maturing September 1, 20\_\_**

<b>Redemption Date (September 1)</b>	<b>Sinking Fund Redemption</b>
--	------------------------------------

Refunding Term Bonds. The Refunding Bonds maturing on September 1, 20\_\_, and September 1, 20\_\_ (the “**Refunding Term Bonds**” and together with the New Money Term Bonds, the “**Term Bonds**”), are subject to mandatory sinking fund redemption on September 1 of each year in accordance with the schedules set forth below. The Refunding Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

*\*Preliminary; subject to change.*

**Refunding Term Bonds Maturing September 1, 20\_\_**

<b>Redemption Date (September 1)</b>	<b>Sinking Fund Redemption</b>
--	------------------------------------

**Refunding Term Bonds Maturing September 1, 20\_\_**

<b>Redemption Date (September 1)</b>	<b>Sinking Fund Redemption</b>
--	------------------------------------

Sinking Fund Payments Upon Optional Redemption. If any Term Bonds are redeemed pursuant to the optional redemption provisions described above, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

**Notice of Redemption**

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the registration books maintained by the Paying Agent. Such notice may be a conditional notice of redemption and subject to rescission as set forth below. Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, the Bonds called for redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice.

**Partial Redemption of Bonds**

Upon the surrender of any Bond redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof a new Bond or Bonds of like maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption will be valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

**Right to Rescind Notice of Optional Redemption**

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of

optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent have no liability to the owners of the Bonds or any other party related to or arising from any such rescission of redemption. The Paying Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

### **Registration, Transfer and Exchange of Bonds**

If the book entry system is discontinued, the District will cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond will be made only to or upon the order of that person; neither the District, the County nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Dallas, Texas (or at such other office as is designated by the Paying Agent) for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity and series. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

### **Defeasance**

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the applicable Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or Federal Securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

As defined in the applicable Bond Resolution, the term “**Federal Securities**” means (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; (b) any obligations the timely payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a); (c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and (d) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) project notes, local

authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and (vii) obligations of the Federal Home Loan Bank (FHLB).

**DEBT SERVICE SCHEDULES**

**The New Money Bonds.** The following tables show the annual debt service schedule with respect to the New Money Bonds (assuming no optional redemptions).

**HILLSBOROUGH CITY SCHOOL DISTRICT  
New Money Bonds Annual Debt Service Schedule**

<b>Period Ending September 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
<b>Total</b>			

**The Refunding Bonds.** The following tables show the annual debt service schedule with respect to the Refunding Bonds (assuming no optional redemptions).

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Refunding Bonds Annual Debt Service Schedule**

Period Ending September 1	Current Interest Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Denominational Amount	Accreted Interest	
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
Total					

*[Remainder of page intentionally left blank]*

**Combined General Obligation Bonds Debt Service.** The District has other series of general obligation bonds and refunding bonds outstanding. The following table shows the combined debt service schedule with respect to the District's outstanding general obligation bonds and the Bonds, assuming no optional redemptions. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations" for additional information.

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Combined General Obligation Bonds Debt Service Schedule**

Period Ending Sept. 1	Outstanding GO Bonds Annual Debt Service*	New Money Bonds Annual Debt Service	Refunding Bonds Annual Debt Service	Aggregate Annual Debt Service
2025	\$5,878,363.56			
2026	6,169,554.16			
2027	6,471,914.86			
2028	6,805,642.00			
2029	7,151,156.00			
2030	7,521,364.00			
2031	7,916,169.00			
2032	8,334,204.00			
2033	8,786,060.00			
2034	9,262,654.00			
2035	9,643,855.00			
2036	10,143,200.00			
2037	10,708,200.00			
2038	11,308,200.00			
2039	12,953,200.00			
2040	10,763,200.00			
2041	2,656,700.00			
2042	2,755,950.00			
2043	2,861,950.00			
2044	2,968,950.00			
2045	3,081,450.00			
2046	3,193,700.00			
2047	3,315,200.00			
2048	3,439,950.00			
2049	3,572,200.00			
2050	3,701,200.00			
2051	3,840,200.00			
2052	3,988,400.00			
2053	--			
2054	--			
<b>TOTAL</b>	<b>\$179,192,786.58</b>			

\*For purposes of the Preliminary Official Statement, includes debt services on the Target Bonds.

## SECURITY FOR THE BONDS

### **Ad Valorem Taxes**

**Bonds Payable from Ad Valorem Property Taxes.** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. In accordance with Education Code 15250 and following, the County Board of Supervisors is empowered and obligated to annually levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest on the Bonds out of any funds or properties of the District other than *ad valorem* property taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

**Other Bonds Payable from Ad Valorem Property Taxes.** The District has other general obligation bond issues outstanding which are payable from *ad valorem* property taxes on a parity basis. In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* property taxes levied on parcels in the District. See “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations” and “PROPERTY TAXATION – Tax Rates” and “- Direct and Overlapping Debt” below.

**Levy and Collection.** The County will levy and collect such *ad valorem* property taxes in such amounts and at such times as is necessary to ensure the timely payment by the District of debt service on each respective series of the Bonds. Such taxes, when collected, will be deposited into the applicable Debt Service Fund for each series of Bonds, which are maintained by the County and which are irrevocably pledged by the District for the payment by it of principal and Accreted Value of and interest on the respective series of Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

**Statutory Lien on Ad Valorem Tax Revenues.** Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the Bonds are executed and delivered. The lien is enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

**Annual Tax Rates.** The amount of the annual *ad valorem* taxes levied by the County for the District to repay each series of the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on each series of the Bonds. The relationship between the annual debt service on each series of the



Bonds and the annual assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, outbreak of disease or other natural disaster or man-made disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuation – Factors Relating to Increases/Decreases in Assessed Value." See also below under the heading "–Disclosure Relating to COVID-19 Pandemic."

### **Debt Service Funds**

The County will establish two separate Debt Service Funds (each, a "**Debt Service Fund**" and together, the "**Debt Service Funds**"), one for the New Money Bonds and the other for the Refunding Bonds, into which will be deposited all taxes levied by the County for the payment by the District of the principal of and interest on (and the Accreted Value of, as applicable) each respective series of the Bonds. In addition, with respect to the Debt Service Fund established for the New Money Bonds, any premium received on the sale of the New Money Bonds will be deposited therein. The Debt Service Funds are pledged by the District for the payment by it of the principal of and interest (and the Accreted Value of, as applicable) on the applicable series of Bonds when and as the same become due. The County will transfer amounts in the applicable Debt Service Fund to the Paying Agent to the extent necessary to enable the District to pay the principal of and interest (and the Accreted Value of, as applicable) on the applicable series of Bonds as the same becomes due and payable.

If, after payment in full of the Bonds, any amounts remain on deposit in the respective Debt Service Fund, the District shall transfer such amounts to other debt service funds of the District with respect to outstanding general obligation bonds of the District, if any, and if none, then to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

### **Not a County Obligation**

No part of any fund or account of the County is pledged or obligated to the payment of the Bonds. The Bonds are payable solely from the proceeds of *ad valorem* property taxes levied and collected by the County, for the payment by the District of principal of and interest on (and the Accreted Value of, as applicable) each series of the Bonds. Although the County is obligated to collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt (or a pledge of the full faith and credit) of the County.

### **Disclosure Relating to COVID-19 Pandemic**

Coronavirus disease ("**COVID-19**") is an infectious disease caused by a virus generally causing respiratory illness and other symptoms which can range from mild to fatal. Commencing in approximately March 2020, COVID-19 became a well-known and world-wide pandemic (the "**COVID-19 Pandemic**"), which continued through approximately May 2023 at which time the federal government declared an end of the public health emergency. During said period at times restrictions on activities were imposed by governing authorities, world, national and local economies were disrupted, and several vaccines and related boosters were developed and made

generally widely available in the United States. In the United States there were several federal relief packages adopted during said period, as well as at the State level, each implemented in an effort to minimize disruptions to operations and address long-term impacts of the COVID-19 Pandemic

The impacts of the COVID-19 Pandemic on all levels of economies may be reflected in some of the data presented herein, and operations of the District may have been impacted during said period. There may be several direct and indirect results of the COVID-19 Pandemic on the District's enrollment, attendance, and finances, and on property values in certain years, and otherwise which the District is unable to predict. However, Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, levied in the District. The Bonds are not payable from the general fund of the District. See "SECURITY FOR THE BONDS – *Ad Valorem* Taxes" and Appendix A under "GENERAL INFORMATION ABOUT THE DISTRICT- District's Response to COVID-19 Pandemic."

## PROPERTY TAXATION

### Property Tax Collection Procedures

Generally. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing State assessed public utilities' property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the local superior court clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict whether future amendments or orders will occur, and what impact, if any, said future amendments or orders could have on the procedures relating to the levy and collection of property taxes, and related interest and penalties.

### **Taxation of State-Assessed Utility Property**

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (the "**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

**Assessed Valuation**

**Assessed Valuation History.** The table below shows a recent history of the District’s assessed valuation.

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Historical Assessed Valuations  
Fiscal Year 2014-15 through Fiscal Year 2023-24**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2014-15	\$7,842,298,118	0	\$5,908,200	\$7,848,206,318	--%
2015-16	8,469,216,965	0	8,612,367	8,477,829,332	8.0
2016-17	9,134,204,148	0	6,154,767	9,140,358,915	7.8
2017-18	9,686,224,232	0	5,259,451	9,691,483,683	6.0
2018-19	10,223,752,129	0	5,207,507	10,228,959,636	5.5
2019-20	10,771,157,101	0	5,470,760	10,776,627,861	5.4
2020-21	11,346,010,749	0	7,443,702	11,353,454,451	5.4
2021-22	11,835,953,617	0	8,848,566	11,844,802,183	4.3
2022-23	12,507,965,653	0	7,448,387	12,515,414,040	5.7
2023-24	13,286,852,629	0	7,125,379	13,293,978,008	6.2

*Source: California Municipal Statistics, Inc.*

According to County Assessor’s online records, the assessed value in the Town has increased 4.95% in fiscal year 2024-25.

Factors Relating to Increases/Decreases in Assessed Value: Economic Conditions; Disasters. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters which include but are not limited to earthquakes, fires/wildfires, floods, drought, mudslides and the consequences of climate change such as heat waves, droughts, sea level rise and floods, which could have an impact on assessed values. The State including the region in which District is located has in recent years experienced natural disasters, such as fires, earthquakes, droughts, mudslides and flooding. Portions of the District are on or near the San Andreas fault line, and the region is classified for fire hazard severity purposes as very high and high under the State’s Department of Forestry and Fire Protection zoning map. Significant portions of the District lie below Crystal Springs Reservoir and in the event there was damage to the dam, it could result in flooding and other damage to properties in the District. Public health disasters such as the COVID-19 pandemic could also have direct and indirect impacts on economic conditions and property values.

Future Conditions and Disasters Cannot be Predicted. The District cannot predict or make any representations regarding the effects that any natural or manmade disasters, including health disasters such as the COVID-19 pandemic, and the effects of climate change, and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

**Assessed Valuation by Jurisdiction.** The following table shows the assessed valuation by jurisdiction in the District.

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Assessed Valuation by Jurisdiction  
Fiscal Year 2023-24**

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Burlingame	\$16,905,317	0.13%	\$16,375,697,550	0.10%
Town of Hillsborough	13,276,957,183	99.87	13,278,848,771	99.99
City of San Mateo	<u>115,508</u>	<u>0.00</u>	26,235,180,154	0.00
Total District	\$13,293,978,008	100.00%		
San Mateo County	\$13,293,978,008	100.00%	\$307,775,168,254	4.32%

Source: California Municipal Statistics, Inc.

**Assessed Valuation by Land Use.** The table below shows the recent land use of property within the District, as measured by assessed valuation and the number of parcels. As shown, the majority of the District's assessed valuation is represented by residential property.

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Local Secured Property Assessed Valuation and Parcels by Land Use  
Fiscal Year 2023-24**

	<u>2023-24 Assessed Valuation(1)</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>	<u>No. of Taxable Parcels</u>	<u>% Total</u>
Non-Residential:						
Recreational	\$12,257,115	0.09%	6	0.15%	6	0.15%
Government/Social/Institutional	0	0.00	44	1.08	0	0.00
Miscellaneous/Water Services	<u>1,784,733</u>	<u>0.01</u>	<u>13</u>	<u>0.32</u>	<u>13</u>	<u>0.32</u>
Subtotal Non-Residential	\$14,041,848	0.11%	63	1.54%	19	0.47%
Residential:						
Single Family Residence	\$13,191,618,570	99.28%	3,914	95.93%	3,910	97.26%
Miscellaneous Residential	<u>4,589,726</u>	<u>0.03</u>	<u>3</u>	<u>0.07</u>	<u>3</u>	<u>0.07</u>
Subtotal Residential	\$13,196,208,296	99.32%	3,917	96.00%	3,913	97.34%
Vacant Parcels	\$76,602,485	0.58%	100	2.45%	88	2.19%
Total	\$13,286,852,629	100.00%	4,080	100.00%	4,020	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

**Assessed Valuation of Single-Family Residential Parcels.** The table below shows the recent breakdown of the assessed valuations of improved single-family residential parcels in the District, including the median and average assessed value per parcel.

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Per Parcel Assessed Valuation of Single-Family Homes  
Fiscal Year 2023-24**

	<b>No. of Parcels</b>	<b>2023-24 Assessed Valuation</b>	<b>Average Assessed Valuation</b>	<b>Median Assessed Valuation</b>
Single-Family Residential	3,910	\$13,191,618,570	\$3,373,815	\$2,884,413

<b>2023-24 Assessed Valuation</b>	<b>No. of Parcels(1)</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$0 - \$249,999	39	0.997%	0.997%	\$ 8,784,905	0.067%	0.067%
\$250,000 - \$499,999	288	7.366	8.363	102,867,233	0.780	0.846
\$500,000 - \$749,999	153	3.913	12.276	93,896,940	0.712	1.558
\$750,000 - \$999,999	145	3.708	15.985	127,461,868	0.966	2.524
\$1,000,000 - \$1,249,999	199	5.090	21.074	224,670,432	1.703	4.228
\$1,250,000 - \$1,499,999	187	4.783	25.857	256,777,970	1.947	6.174
\$1,500,000 - \$1,749,999	194	4.962	30.818	314,478,595	2.384	8.558
\$1,750,000 - \$1,999,999	162	4.143	34.962	305,576,475	2.316	10.874
\$2,000,000 - \$2,249,999	167	4.271	39.233	356,852,483	2.705	13.580
\$2,250,000 - \$2,499,999	153	3.913	43.146	363,001,716	2.752	16.331
\$2,500,000 - \$2,749,999	174	4.450	47.596	459,200,947	3.481	19.812
\$2,750,000 - \$2,999,999	169	4.322	51.918	484,557,231	3.673	23.486
\$3,000,000 - \$3,249,999	146	3.734	55.652	457,581,976	3.469	26.954
\$3,250,000 - \$3,499,999	174	4.450	60.102	586,156,383	4.443	31.398
\$3,500,000 - \$3,749,999	167	4.271	64.373	605,926,317	4.593	35.991
\$3,750,000 - \$3,999,999	154	3.939	68.312	596,873,907	4.525	40.516
\$4,000,000 - \$4,249,999	142	3.632	71.944	587,170,152	4.451	44.967
\$4,250,000 - \$4,499,999	103	2.634	74.578	451,133,635	3.420	48.387
\$4,500,000 - \$4,749,999	104	2.660	77.238	480,634,711	3.643	52.030
\$4,750,000 - \$4,999,999	106	2.711	79.949	517,575,217	3.924	55.954
\$5,000,000 and greater	<u>784</u>	<u>20.051</u>	100.000	<u>5,810,439,477</u>	<u>44.046</u>	100.000
	3,910	100.000%		\$13,191,618,570	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple-family units.  
Source: California Municipal Statistics, Inc.

**Reassessments and Appeals of Assessed Value**

Reassessment or appeals of assessed values could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” in Appendix A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as

residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or blanket reassessments initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds) may be paid.

### Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities for property in the District which lies in Tax Rate Area 6-001 for recent fiscal years.

**HILLSBOROUGH CITY SCHOOL DISTRICT**  
**Typical Tax Rates per \$100 of Assessed Valuation**  
**(Tax Rate Area 6-001)<sup>(1)</sup>**  
**Fiscal Years 2019-20 through 2023-24**

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
General Tax Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
San Mateo Union High School District	.0385	.0449	.0488	.0504	.0476
San Mateo Community College District	.0266	.0213	.0227	.0193	.0190
Hillsborough School District	.0292	.0289	.0297	.0296	.0583
Total Tax Rate	\$1.0943	\$1.0951	\$1.1012	\$1.0993	1.1249

(1) 2023-24 assessed valuation of TRA 6-001 is \$12,688,352,975 which is 95.44% of the district's total assessed valuation.  
Source: California Municipal Statistics, Inc.

## Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes general obligation bond levies, including for general obligation bonds issued by the District, in its Teeter Plan.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the District’s receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors of the County could, under certain circumstances, terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors of the County could terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan was terminated in the County with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes within the County and delinquency rates experienced with respect to the parcels within the District. With respect to general obligation bonds, county assessors are authorized to levy taxes sufficient to pay debt service on bonds coming due, including at a rate that will provide for a reserve in the event of delinquencies. The District cannot represent the sufficiency of any such reserve to the extent necessary to cover delinquent taxes, to the extent the Teeter Plan were amended or discontinued.

The District cannot provide any assurances that the County will continue to maintain the Teeter Plan described above, or will have sufficient funds available to distribute the full amount of the District’s share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District’s or the County’s control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the outbreak of disease or natural or manmade disaster, including earthquakes, firestorms, and other conflagrations. See “SECURITY FOR THE BONDS – Disclosure Relating to COVID-19 Pandemic.”

Furthermore, the District cannot predict the impact, if any, that changes or modifications to property tax collection procedures, might have on the County’s Teeter Plan. See “PROPERTY TAXATION – Property Tax Collection Procedures” herein.

Notwithstanding that the Teeter Plan currently provides for timely collection of the District’s share of property taxes including taxes securing general obligation bonds, the following table shows tax charges, collections and delinquencies for secured property in the District with respect to the one percent general fund apportionment.



**HILLSBOROUGH CITY SCHOOL DISTRICT  
Secured Tax Charges and Delinquencies  
Fiscal Years 2019-20 through 2022-23**

<u>Fiscal Year</u>	<u>Secured Tax Charge<sup>(1)</sup></u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2019-20	\$3,139,448.99	\$70,592.96	2.25%
2020-21	3,273,645.48	62,112.69	1.90
2021-22	3,395,174.54	64,696.23	1.91
2022-23	3,701,599.01	31,000.69	0.84

(1) Debt service levy only.  
Source: California Municipal Statistics, Inc.

**Major Taxpayers**

The following table shows recent largest local secured taxpayers in the District as determined by their secured assessed valuations.

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Largest 2023-24 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2023-24 Assessed Valuation</u>	<u>% of Total(1)</u>
1.	Alpha Yield Holdings Ltd.	Residential	\$ 35,566,861	0.27%
2.	Gatsby 2 0 LLC	Residential	30,600,000	0.23
3.	2120 RAH LLC	Residential	28,626,862	0.22
4.	Nicole R. Webb Trust	Residential	27,127,011	0.20
5.	Theodore H. Kruttschnitt	Residential	27,054,260	0.20
6.	123 New Place LLC	Residential	26,634,853	0.20
7.	Delight Wise Investments Ltd.	Residential	26,338,128	0.20
8.	Jihing Li Trust	Residential	25,212,031	0.19
9.	Peter Spiro Stamos Trust	Residential	21,962,712	0.17
10.	Sangini Goenka Trust	Residential	20,400,000	0.15
11.	899 Sharon Avenue LLC	Residential	19,653,215	0.15
12.	Jeffrey Wislon Trust	Residential	19,494,126	0.15
13.	August Moon 1971 LLC	Residential	19,087,833	0.14
14.	Stuart McLaughlin Trust	Residential	16,992,257	0.13
15.	Kenneth Y. Hao Trust	Residential	16,890,782	0.13
16.	Daniel Hunt Trust	Residential	16,728,000	0.13
17.	Wei Wu	Residential	16,631,570	0.13
18.	Irwin Drive LLC	Residential	16,501,895	0.12
19.	Jessica D. Mills Trust	Residential	15,779,400	0.12
20.	George Hsu Trust	Residential	15,633,380	0.12
			<u>\$442,915,176</u>	<u>3.33%</u>

(1) 2023-24 local secured assessed valuation: \$13,286,852,629.

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. dated September 5, 2024 for debt as of October 1, 2024. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

### HILLSBOROUGH CITY SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt Dated as of October 1, 2024

2023-24 Assessed Valuation: \$13,293,978,008

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/24</u>
San Mateo Community College District	4.319%	\$ 28,296,866
San Mateo Union High School District	12.806	85,575,893
<b>Hillsborough School District</b>	<b>100.000</b>	<b>94,153,355</b> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$208,026,114
 <b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>		
San Mateo County General Fund Obligations	4.319%	\$27,477,943
San Mateo County Board of Education Certificates of Participation	4.319	247,695
City of Burlingame Certificates of Participation	0.103	36,503
City of Burlingame Pension Obligation Bonds	0.103	5,624
San Mateo County Mosquito and Vector Control General Fund Obligations	4.319	137,573
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$27,905,338
Less: City of Burlingame supported obligations		1,406
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$27,903,932
 GROSS COMBINED TOTAL DEBT		 \$235,931,452 (2)
NET COMBINED TOTAL DEBT		\$235,930,046

Ratios to 2023-24 Assessed Valuation:

<b>Direct Debt (\$94,153,355)</b> .....	<b>0.71%</b>
Total Overlapping Tax and Assessment Debt .....	1.56%
Gross Combined Total Debt .....	1.77%
Net Combined Total Debt .....	1.77%

(1) Excludes the Bonds to be sold. Includes the Target Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## TAX MATTERS

### Tax Exemption

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers

who do not purchase in the original offering, should consult their own tax advisors with respect to State personal income tax and federal income tax consequences of owning such Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

### **Other Tax Considerations**

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

### **Forms of Opinions**

Copies of the proposed forms of opinions of Bond Counsel are attached hereto as Appendix D.

## **CERTAIN LEGAL MATTERS**

### **No Material Litigation**

Absence of Pending or Threatened Litigation Relating to the Bonds. No litigation is pending or threatened, nor is any audit or investigation premised on any assertion, concerning or contesting the validity of the Bonds or the District's ability to receive *ad valorem* property taxes and to collect other revenues, or contesting the District's ability to issue and retire the Bonds. The District is not aware of any litigation pending or threatened, nor is any audit or investigation premised on any assertion, questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Bonds or District officials who will sign certifications relating to the Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter (defined herein) at the time of the original delivery of the Bonds.

Absence of Material Litigation. The District is subject to lawsuits and claims that arise in the regular course of operating a public school district. In the opinion of the District, the aggregate amount of uninsured liabilities of the District under existing lawsuits and claims will not materially affect the financial position or operations of the District. The District maintains property and liability coverage and workers' compensation coverage as part of its risk management program. For more information on the District's insurance coverages, see Appendix A under the heading "GENERAL INFORMATION ABOUT THE DISTRICT - Insurance."

### **Legality for Investment**

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

### **Cyber Risks**

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. District officials and staff may also be the target of online fraudsters, posing as legitimate vendors or other parties for the purpose of accessing District funds and other assets.

In the previous five years, the District has not had a major cyber breach or online fraud event that resulted in a financial loss. The District has taken steps to minimize cyber risks including: hiring an Information Technology Manager with responsibility for overseeing District software and hardware including implementing security measures relating to cyber events, undertaking employee cyber awareness training, and implementing recommendations of its cyber insurer. The District includes coverage for cyber events in its insurance policies. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all

cases, be successful. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of *ad valorem* property taxes, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

### **Compensation of Certain Professionals**

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, San Francisco, California as Bond Counsel and Disclosure Counsel to the District, Nixon Peabody LLP, San Francisco, California, as Underwriter's Counsel, and Isom Advisors, A Division of Urban Futures, Inc., as Municipal Advisor to the District, is contingent upon issuance of the Bonds.

## **CONTINUING DISCLOSURE**

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as APPENDIX E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an “**Annual Report**”) not later than nine months after the end of the District’s fiscal year (which currently would be March 31), commencing March 31, 2025 with the report for the 2023-24 fiscal year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board (the “**MSRB**”). The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other outstanding general obligation bonds and refunding general obligation bonds. See Appendix A under the heading “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations.” A review of the District’s filing requirements and related filings in the previous five years has been undertaken and the following instances of material non-compliance during said period were identified: the District did not timely file information regarding secured tax charges and delinquencies for fiscal years 2019-20 through 2022-23 as part of its annual report filings, and did not file a related failure to file notice. Such failures have subsequently been remedied.

The District recently engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent for the District’s outstanding obligations, including the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District’s duties regarding continuing disclosure.

## RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned a rating of "AAA" to the Bonds. Generally, rating agencies base their ratings on information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement as has been determined not to be material to making an investment decision in the Bonds). Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained only from S&P. There is no assurance that any credit ratings given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P, if in such agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The District has not undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of a rating of the Bonds or to oppose any such proposed revision or withdrawal.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any rating changes on the Bonds (if any) at the times and in the manner described in the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein and "APPENDIX E - Form of Continuing Disclosure Certificate" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to the S&P website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance thereof. Information available on such website is not incorporated herein by reference.

## UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc., as underwriter (in such capacity, the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at the following prices:

New Money Bonds: \$\_\_\_\_\_ which is equal to the initial principal amount of the New Money Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_.

Refunding Bonds: \$\_\_\_\_\_ which is equal to the initial principal amount of the Refunding Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_.

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased) and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Bonds to certain securities dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

In addition to the role as Underwriter, Raymond James & Associates, Inc. is also serving as Dealer Manager for the Tender Offer. The Targeted Bonds will be offered solely by means of the Tender Offer, as described herein. The Dealer Manager will enter into an exclusive dealer manager agreement with the District under which the Dealer Manager will be compensated in an amount equal to a percentage of the aggregate principal amount of the Purchased Targeted Bonds.

### **ADDITIONAL INFORMATION**

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate and other bond documentation are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Bonds will be on file at the office of the Paying Agent in San Francisco, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

### **EXECUTION**

The execution and delivery of this Official Statement have been duly authorized by the District.

**HILLSBOROUGH CITY SCHOOL DISTRICT**

By: \_\_\_\_\_  
Superintendent



## APPENDIX A

### GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

*The information in this appendix and other sections concerning Hillsborough City School District's (the "**District**") operations, financial information and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem property tax required to be levied by the County of San Mateo (the "**County**") in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the front half of the Official Statement.*

### GENERAL INFORMATION ABOUT THE DISTRICT

#### General Information

The District was established as a school district on August 14, 1911 and is located in the residential community known as the Town of Hillsborough (the "**Town**"), an unincorporated community in the County with a population of over 11,000 residents, located 17 miles south of San Francisco on the San Francisco Peninsula, bordered by the City of Burlingame to the north, the City of San Mateo to the east, and the community known as Highlands-Baywood Park to the South. The students are primarily residents of the Town with instruction provided at four school sites. The District's enrollment is approximately 1,260 students in fiscal year 2024-25, and there are no charter schools operating in District boundaries. The following table identifies the school sites operated by the District. For demographic information regarding the City of San Mateo and the County, see Appendix C hereto.

#### HILLSBOROUGH CITY SCHOOL DISTRICT School Sites

- North Elementary School•
- South Elementary School•
- West Elementary School•
  
- Crocker Middle School•

#### Basic Aid Funding Status

For purposes of education funding, the District has been a "**Basic Aid District**" or "**Community Supported District**" since the 1990-91 fiscal year, meaning that the District's share of local property taxes has in each year since that time exceeded its funding entitlement under the State's education funding formula ("**LCFF**" as described in more detail herein). As such, it is entitled to keep its full share of local property taxes, including the amount which exceeds its funding entitlement under LCFF. For fiscal year 2024-25, it is projected that the District will be funded at approximately 209% of what it would receive if it were funded under the State's LCFF formula, which is more than twice the amount of funding that it would receive under the State's funding formula. The District currently anticipates continuing to maintain its status as a Community Supported District in the foreseeable future. For more information on the District's Basic Aid status, see "DISTRICT FINANCIAL INFORMATION - Basic Aid/Community Supported District" below.

**Administration**

**Board of Trustees.** The District is governed by a five-member Board of Trustees, with each member elected at-large to a four-year term. Elections for positions on the Board of Trustees are held every two years, alternating between two and three available positions. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Board of Trustees**

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

**Administration.** The Superintendent of the District is appointed by the Board of Trustees and is responsible for management of the day-to-day operations and supervises the work of other District administrators. Ana de Arce serves as the Superintendent and Joyce Shen serves as the Chief Business Official of the District.

**Recent Enrollment and Average Daily Attendance**

The following table shows recent enrollment history and average daily attendance (“**ADA**”) for the District.

**HILLSBOROUGH CITY SCHOOL DISTRICT  
Annual Enrollment and ADA  
Fiscal Years 2017-18 through 2024-25 (Budgeted)**

School Year	Enrollment	Percent Change	ADA*	Percent Change
2017-18	1,405	--%	1,354	--%
2018-19	1,352	(3.8)	1,308	(3.4)
2019-20*	1,290	(4.6)	1,244	(4.9)
2020-21*	1,268	(1.7)	1,244	0.0
2021-22	1,260	(0.6)	1,207	(3.0)
2022-23	1,294	2.7	1,242	2.9
2023-24	1,263	(2.4)	1,213	(2.3)
2024-25 <sup>(1)</sup>	1,260	(0.2)	1,213	0.0

\*The COVID-19 pandemic commenced in Spring of 2020. State legislation included a hold harmless provision for related declines in ADA for certain years. ADA figures for these years represent ADA for budgeting purposes and not actual ADA. However, as a Basic Aid district, ADA does not impact the District’s funding levels.

(1) Budgeted.

Source: Hillsborough City School District.

Students of the District are primarily residents of the Town. Because the District is a Basic Aid District, its funding entitlement is not impacted by changes in ADA or fluctuations in State funding of education.

## Employee Relations

The District has approximately 108.3 full-time equivalent (“FTE”) certificated (non-management) positions, 59.53 FTE classified (non-management) positions and 15 FTE management, supervisor and confidential positions. These employees, except management and some part-time employees, are represented by the bargaining units summarized below.

### HILLSBOROUGH CITY SCHOOL DISTRICT Summary of Labor Organizations

<u>Labor Organization</u>	<u>Groups Represented</u>	<u>Contract Expiration Date</u>
Hillsborough Teachers Association	Certificated personnel, except psychologists, administrators and certificated substitutes	June 30, 2026
California School Employees Association	Classified personnel, except the Superintendent, Chief Business Official, confidential employees and classified substitutes	June 30, 2026

*Source: Hillsborough City School District.*

## Risk Management

The District participates in a joint venture under a joint powers agreement (“JPA”) with San Mateo County Schools Insurance Group for property and liability and workers' compensation insurance. Coverage includes standard coverage for cyber events. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

See “APPENDIX B –AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2022-23.”

## **District's Response to COVID-19 Pandemic**

The COVID-19 Pandemic commenced in approximately March 2020 and caused a health emergency which resulted in shelter in place orders and school site closures and remote learning, among other consequences, throughout the State. The District took all required actions based on State-wide and local orders, as well as pursuant to recommendations of the County Office of Education (the "**COE**"). The District has resumed all in-person learning with independent study options in accordance with all applicable legal requirements.

The District has received and/or been allocated funding from State and federal programs to address expenses which arose from the COVID pandemic. These one-time funds will be obligated in accordance with all applicable guidelines, generally by no later than September 30, 2024.

*[Remainder of page intentionally left blank]*

## DISTRICT FINANCIAL INFORMATION

*The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of ad valorem property taxes required to be levied by the County in an amount sufficient for the payment thereof.*

### Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the ADA for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues which exceeded its revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues and were entitled to keep those tax revenues which exceeded its revenue limit funding entitlement.

The fiscal year 2013-14 State budget replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "LCFF"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 65% (which was increased from 50% as part of the State’s trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency’s base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district’s proportionate share of the appropriations included in the State budget (based on the percentage of each district’s students who are low-income, English learners, and foster youth (“**Targeted Students**”)), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap. The legislation implementing LCFF also included a “hold harmless” provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

In 2021, legislation was passed that requires school districts operating a kindergarten program to also provide a transitional kindergarten (“**TK**”) program for all 4-year-old children by fiscal year 2025–26.

Funding levels used in the LCFF entitlement calculations for fiscal year 2024-25 are set forth in the following table.

**Fiscal Year 2024-25 Base Grant Funding\* Under LCFF  
by Grade Span**

<b>Entitlement Factor</b>	<b>TK/K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
A. 2023-24 Base Grant per ADA	\$9,919	\$10,069	\$10,367	\$12,015
B. 2024-25 COLA for LCFF (A x 1.07%)	\$106	\$108	\$111	\$129
C. 2024-25 Base Grant per ADA before Grade Span Adjustments (A+B)	\$10,025	\$10,177	\$10,478	\$12,144
D. Grade Span Adjustments (TK-3: C x 10.4%; 9-12: C x 2.6%)	\$1,043	n/a	n/a	\$316
E. 2024-25 Base Grant/Adjusted Base Grant per ADA (C + D)	\$11,068	\$10,177	\$10,478	\$12,460

\*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%, (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion of Unduplicated Pupil Percentage that exceeds 55%, times 65%, and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of \$3,077 times the school district’s current year TK ADA.

Source: California Department of Education.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Basic Aid or Community Supported Districts are school districts which have local property tax revenues which exceed such district's funding entitlement under LCFF. As such, in lieu of State funding under LCFF, Basic Aid districts are entitled to keep the full share of local property tax revenues, even the amount which exceeds its funding entitlement under LCFF. The District's funding formula is as a Basic Aid district, as further described below.

### **Basic Aid/Community Supported District**

The District has consistently been a Basic Aid district for purposes of State general purpose education funding since fiscal year 1990-91. As a Basic Aid district, the District does not receive a general purpose revenue limit entitlement from the State, but instead is entitled to keep its share of local property taxes in excess of the funding entitlement under LCFF, which far exceed the revenue limit entitlement. In fiscal year 2024-25, the District anticipates to receive 209% of would receive if it were funded as a LCFF-funded school district, which is more than double the State funded entitlement. Continuing in Basic Aid status is in part a function of student enrollment figures and property value growth in the District. With enrollment and assessed valuation expected to increase, the District expects to continue to have local property tax revenue in excess of its LCFF entitlement in fiscal year 2024-25 and for the near and far future.

### **District Accounting Practices**

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items

that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

### **Financial Statements**

**General.** The District's Audited Financial Statements for the fiscal year ending June 30, 2023 were prepared by Chavan & Associates, San Jose, California (the “**Auditor**”). Audited financial statements for the District for the fiscal year ended June 30, 2023 and prior fiscal years are on file with the District and available for public inspection at the Superintendent’s Office. See Appendix B hereto for the 2022-23 Audited Financial Statements. The District has not requested, and the auditor has not provided, any additional review of such financial statements in connection with their inclusion in the Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

*[Remainder of page intentionally left blank]*



**General Fund Revenues, Expenditures and Changes in Fund Balance.** The District's general fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The following tables shows the audited income and expense statements for the District for the last five fiscal years.

**SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Fiscal Years 2018-19 through 2022-23  
Hillsborough City School District**

<u>Revenues</u>	<u>Audited 2018-19</u>	<u>Audited 2019-20</u>	<u>Audited 2020-21</u>	<u>Audited 2021-22</u>	<u>Audited 2022-23</u>
LCFF Sources	\$21,299,567	\$22,492,701	\$23,596,765	\$24,751,921	\$26,467,417
Federal Revenues	267,918	265,796	766,764	658,847	502,615
Other State Revenues	3,095,672	2,345,413	2,400,410	3,169,994	3,334,025
Other Local Revenues	6,845,453	6,658,705	6,116,697	6,777,489	8,130,658
<b>Total Revenues</b>	<b>31,508,610</b>	<b>31,762,615</b>	<b>32,880,636</b>	<b>35,358,251</b>	<b>38,434,715</b>
<u>Expenditures</u>					
Instruction	20,847,226	21,304,772	22,197,933	24,994,875	26,218,548
Instruction-Related Activities:					
Supervision of Instruction	1,450,912	1,473,049	1,419,989	1,540,977	1,600,843
Instructional Library, Media and Tech.	159,034	121,747	116,807	151,295	145,505
School Site Administration	1,608,411	1,593,664	1,650,118	1,809,697	1,854,757
Pupil Services:					
Home-to-School Transport	34,089	84,455	75,748	80,917	88,035
Food Services	--	--	--	--	14,627
All Other Pupil Services	954,631	976,164	1,066,373	1,224,297	1,519,434
General Administration:					
Data Proc.	494,098	648,711	743,086	530,243	565,800
All Other General Administration	1,733,654	1,926,804	1,754,993	1,949,848	2,025,730
Plant Services	2,681,921	2,671,590	3,007,301	3,136,939	3,224,497
Facilities Acquisition and Construction	--	289,734	419,263	396,361	434,975
Community Services	280,843	279,638	293,600	361,349	392,794
Transfers between agencies	144,410	188,483	164,959	100,443	90,337
Debt Service: Principal	50,534	56,513	56,429	56,475	33,379
Debt Service: Interest	36,854	21,439	13,292	--	1,695
<b>Total Expenditures</b>	<b>30,476,617</b>	<b>31,636,763</b>	<b>32,979,891</b>	<b>36,333,716</b>	<b>38,210,956</b>
Excess of Revenues Over/(Under) Expenditures	1,031,993	125,852	( 99,255)	(975,465)	223,759
<u>Other Financing Sources (Uses)</u>					
Operating Transfers in	80,000	80,000	80,000	80,000	80,000
Other Sources	--	--	--	--	--
Operating Transfers out	--	(15,000)	--	(100,000)	(45,000)
<b>Total Other Financing Sources (Uses)</b>	<b>80,000</b>	<b>65,000</b>	<b>80,000</b>	<b>(20,000)</b>	<b>35,000</b>
<b>Net Change in Fund Balance</b>	<b>1,111,993</b>	<b>190,852</b>	<b>(19,255)</b>	<b>(995,465)</b>	<b>258,759</b>
Prior Period Adjustment-GASB 84	--	--	43,516	215,129	--
Fund Balance, July 1	7,028,749	8,140,742	8,331,594	8,355,855	7,575,519
Fund Balance, June 30	\$8,140,742	\$8,331,594	\$8,355,855	\$7,575,519	\$7,834,278

Source: Hillsborough City School District Audit Reports.

## **District Budget and Interim Financial Reporting**

***Budgeting and Interim Reporting Procedures.*** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Mateo County Superintendent of Schools (the "**County Superintendent**"). The County Superintendent is separate from the County and is not an official of the County.

The County Superintendent must review and approve, conditionally approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, if a budget is disapproved, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to assist the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction (the "**State Superintendent**"), and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("**A.B. 1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified

certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable. This prohibition does not apply to voter-approved general obligation bonds, such as the Bonds described in this Official Statement.

***District's Budget Approval/Disapproval and Certification History.*** In the past five fiscal years, each of the District's interim financial reports has been certified as positive, and each of its budgets has been approved by the County Superintendent.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District. The District may impose charges for copying, mailing and handling.

*[Remainder of page intentionally left blank]*

**District's General Fund Fiscal Years 2023-24 and 2024-25 (Unaudited Actuals and Budgeted).** The following table shows the general fund figures for the District for fiscal years 2023-24 and 2024-25 (unaudited actuals and budgeted).

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Fiscal Years 2023-24 and 2024-25 (Unaudited Actuals and Budgeted)  
Hillsborough City School District**

	<u>Unaudited Actuals 2023-24</u>	<u>Adopted Budget 2024-25</u>
<b><u>Revenues</u></b>		
LCFF Sources	\$27,962,712	\$29,057,576
Federal revenues	375,366	360,839
Other state revenues	3,101,111	2,680,825
Other local revenues	8,437,418	8,515,386
Total Revenues	<u>39,876,607</u>	<u>40,614,626</u>
<b><u>Expenditures</u></b>		
Certificated Salaries	17,891,381	18,513,631
Classified Salaries	5,102,705	5,374,121
Employee Benefits	9,705,844	10,293,022
Books and Supplies	1,704,967	1,585,938
Services and Other Operating Expenditures	4,519,088	4,787,494
Capital Outlay	35,733	95,958
Other Outgo (excl. transfers of Ind. Costs)	218,890	241,040
Other Outgo-Transfers of Indirect Costs	--	--
Total Expenditures	<u>39,178,608</u>	<u>40,891,204</u>
Excess of Revenues Over/(Under) Expenditures	697,999	(276,577)
<b><u>Other Financing Sources (Uses)</u></b>		
Interfund Transfers In	80,000	80,000
Interfund Transfers Out	(179,000)	(206,150)
Other Sources/Uses	--	--
Total Other Financing Sources (Uses)	<u>(99,000)</u>	<u>(126,150)</u>
Net Change in Fund Balance	598,999	(402,727)
Fund Balance, July 1	<u>5,716,243</u>	<u>6,315,242</u>
Fund Balance, June 30*	<u>\$6,315,242</u>	<u>\$5,912,515</u>

\*May not sum to totals due to rounding. The foregoing unaudited financials do not account for reserves held outside of the general fund. The fund balances in the audited financial statements on the previous table include said reserves

Source: Hillsborough City School District.

**District Reserves.** The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve, which ranges from 1 percent to five percent of expenditures, based on a school district's ADA. The percentage applicable to the District is 3 percent, based on its ADA. The District Board has formally established a minimum fund balance policy requiring a reserve for economic uncertainties of no less than 6% of general fund total expenditures and other financing uses. The District maintains an unrestricted reserve which meets these minimum requirements. See also above discussion under the heading "DISTRICT FINANCIAL INFORMATION - District Budget and Interim Financial Reporting - District's Budget Approval/Disapproval and Certification History."

State Law Regarding Reserve Cap. Under State law (Education Code Section 42127.01), there are certain restrictions on the amount of reserves that can be maintained by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district’s adopted or revised budget shall not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State’s Public School System Stabilization Account and is triggered in a fiscal year when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multiyear infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap has been triggered in recent years but has not for fiscal year 2024-25.

District Is Exempt From Reserve Cap, When Applicable. The District is exempt from the reserve cap pursuant to the exception for a small school district and also as a Basic Aid school district.

**Attendance - Funding Trends**

Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts, which are not Basic Aid, receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

As previously described herein, the District is a Basic Aid district, with most funding derived from its share of local property taxes and not limited to an amount allocated to it by the State under LCFF. The following table sets forth education funding trends in the District for fiscal years 2020-21 through 2024-25

**ADA AND LCFF FUNDING TRENDS  
Fiscal Years 2020-21 through 2024-25 (Budgeted)  
Hillsborough City School District**

<b>Fiscal Year</b>	<b>ADA</b>	<b>Total Basic Aid Funding</b>
2020-21	1,244	\$23,596,765
2021-22	1,207	24,751,921
2022-23	1,242	26,467,417
2023-24 <sup>(1)</sup>	1,213	27,962,712
2024-25 <sup>(1)</sup>	1,213	29,057,576

**\*\*Due to the COVID-19 pandemic which generally commenced in February 2020, hold harmless legislation was implemented to limit the impacts of the pandemic on education funding based on ADA in certain years. ADA represents ADA for that would apply for funding purposes, not necessarily actual ADA. Commencing in fiscal year 2022-23 schools districts, can use for their accounting purposes the greater of the current year or prior year ADA or an average of the three prior years’ ADA for purposes of calculating LCFF funding entitlement, if applicable.**

**(1) Unaudited actuals and budgeted.  
Source: Hillsborough City School District.**

As stated herein, the District's share of local property taxes provide more than twice the funding it would receive under the LCFF funding formula.

Targeted Student Enrollment. The District has a Target Student unduplicated count of approximately 4.06%, and as such, if it were funded under LCFF, it would not be entitled to supplemental or concentration grant funding under the LCFF funding formula. However, the District is a Basic Aid district and as such these funding entitlements do not apply.

## **Revenue Sources**

**LCFF Sources.** District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it was entitled to. Furthermore, if a school district's share of local property tax revenues exceeded the revenue limit, the school district was deemed a "Basic Aid" district, and entitled to keep the full share of local property taxes, even if they exceeded the revenue limit which would have been provided through State funding.

School districts which were "Basic Aid" prior to implementation of the LCFF, provided that the per pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues, are entitled to retain their status as Basic Aid and keep their full local property tax revenue entitlement. The threshold for Basic Aid status under the LCFF, however, is higher than under the prior funding formula, resulting in some district falling out of Basic Aid status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Basic Aid districts.

**Federal Revenues.** The federal government provides funding for several District programs, including programs under Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools.

**Other State Revenues.** As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's LCFF funding entitlement and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-

instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over fiscal year 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - State Funding of Education Generally."

**Other Local Revenues.** In addition to local property tax revenues, the District receives significant additional local revenues from a nonprofit foundation (the "**Foundation**"), a voter-approved parcel tax (the "**Parcel Tax**") and inter-agency services:

- The Hillsborough Schools Foundation is a community-based, non-profit, educational foundation that has been in existence for over 35 years. This Foundation raises funds through community activities and events, as well as soliciting donations, and provides critical funding for the District. The Foundation provided \$3.88 million in fiscal year 2023-24 and similar amounts are expected in fiscal year 2024-25. The District can use funds collected by the Foundation for any purpose, unless such funds are designated for a specific purpose or a campaign is held to raise money for a specific purpose.
- Voter-Approved Parcel Tax. The District has a voter-approved Parcel Tax, originally approved in 1988, which provides revenues that can be used for any purpose set forth in the voter-approved measure. The Parcel Tax has no sunset provision or ending date, and provides for annual escalators based on increases in the District's appropriations limit, which changes based on the annual percentage change in the State's per capita personal income and the percentage change in the District's average daily attendance. The Parcel Tax can continue to be collected for the District for successive 5-year periods upon the recommendation of a citizen's committee and approval by the District's Board of Trustees. The last 5-year period was approved in May 2022. The 2024-25 parcel tax rate is \$757.56 per parcel, and is budgeted to produce approximately \$2.59 million in revenues.
- Hillsborough Recreation. Hillsborough Recreation was established as a joint powers agreement between the District and the Town of Hillsborough. Reimbursement is made to the District for support services to operate and administer the programs, to pay costs to house the recreation programs and to maintain the play fields. Funding to the District is budgeted to be \$473,489 in fiscal year 2024-25.
- Interagency Services. In fiscal year 2010-11, the District began providing special education instructional services to other school districts in order to defray some of the costs of its Learning Centers with unused capacity. The District offered this contracted service and entered into a memorandum of understanding with one school district in such interagency program's initial test year. Under the memorandum of understanding, the students served still belong to and are the financial responsibility of their home district. Revenue resulting from such interagency service is budgeted for \$128,748 for fiscal year 2024-25.

## District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by either the District or the Underwriter.*

**STRS.** All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. The plan is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. The benefit provisions and contribution amounts are established by State laws, as amended from time to time.

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013, however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

Assembly Bill 1469 was adopted as part of the State's fiscal year 2014-15 budget ("**AB 1469**"), aimed at fully funding the unfunded actuarial obligation of STRS with respect to service credited to member of STRS prior to July 1, 2014, within 32 years, by increasing contribution rates of members, K-14 school district employers, and the State. Under AB 1469, employer contributions were proposed to steadily increase over seven years. However, several modifications to the schedule were undertaken in connection with State budgets. Contribution rates for the most recent five years are summarized in the following schedule:

### **STRS EMPLOYER CONTRIBUTION RATES Effective Dates of July 1, 2020 through July 1, 2024**

<b>Effective Date</b>	<b>Employer Contribution Rate</b>
July 1, 2020	16.15%
July 1, 2021	16.92
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10

*Source: STRS.*

The State also continues to contribute to STRS, and its contribution rate in fiscal year 2023-24 was 8.328% and will be 8.328% in fiscal year 2024-25.



The District’s recent contributions to STRS including the current budgeted fiscal year are set forth in the following table. These contributions represent 100% of the required contribution for each year.

**STRS CONTRIBUTIONS  
Hillsborough City School District**

Fiscal Year	Amount
2020-21	\$2,564,887
2021-22	2,884,324
2022-23	3,409,376
2023-24 <sup>(1)</sup>	5,058,339
2024-25 <sup>(1)</sup>	5,110,844

(1) Unaudited actuals and budgeted. Budgeting documents do not net out State on-behalf contributions to STRS and such are not directly comparable to audited years.

Source: Hillsborough City School District.

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately \$86.6 billion, based on a market value of assets basis, as of June 30, 2023, which is the date of the last actuarial valuation.

**PERS.** All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the “Schools Pool.” Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, employers are required to contribute an amount based on an actuarially determined employer rate, and employees make contributions which vary based on their date of hire.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. To address this issue, the PERS board has taken a number of actions, including changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates and adopting changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy incrementally lowering its discount rate (its assumed rate of investment return) in years of good investment returns, to help pay down the pension fund’s unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. SB 90, and Assembly Bill 84/Senate Bill 111 (“**AB 84**”) of June 2020, directed contributions of \$430 million and \$330 million in satisfaction of portions of employer contribution rates in fiscal years 2020-21 and 2021-22, respectively. Recent employer contribution rates are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)  
Fiscal Years 2020-21 through 2024-25<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Employer Contribution Rate<sup>(1)</sup></b>
2020-21	20.700%
2021-22	22.910
2022-23	25.370
2023-24	26.680
2024-25	27.050

(1) Expressed as a percentage of covered payroll.  
Source: PERS

The District’s employer contributions to PERS for recent fiscal years are set forth in the following table.

**PERS EMPLOYER CONTRIBUTIONS  
Hillsborough City School District**

<b>Fiscal Year</b>	<b>Amount</b>
2020-21	\$853,849
2021-22	992,589
2022-23	1,283,086
2023-24 <sup>(1)</sup>	1,375,373
2024-25 <sup>(1)</sup>	1,580,292

(1) Unaudited actuals and budgeted.  
Source: Hillsborough City School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately \$40.6 billion, based on a market value of assets, as of June 30, 2023, which is the date of the last actuarial valuation.

**California Public Employees’ Pension Reform Act of 2013.** On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA’s provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

**Additional Information - STRS and PERS.** Additional information regarding the District's retirement programs is available in Note 9 and 10 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

More information regarding STRS and PERS can also be obtained at their websites, [www.calstrs.com](http://www.calstrs.com) and [www.calpers.ca.gov](http://www.calpers.ca.gov), respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

## **Other Post-Employment Benefit Obligation**

**Plan Description.** The District's governing board administers the Post-Employment Benefits Plan (the "**Plan**"). The Plan is a single employer defined benefit plan that is used to provide post-employment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. Membership of the Plan consists of 63 retirees and beneficiaries currently receiving benefits and 185 active plan members.

**Benefits Provided.** The Plan provides medical and dental insurance benefits to eligible retirees. The benefits provided vary depending on what group of employees a retiree belongs to. For detailed information regarding the types of benefits provided see "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2023 - Note 11- Other Postemployment Benefits Other Than Pensions.

**Contributions.** The District makes contributions based on an actuarially determined rate and are approved by the authority of the District’s Board. Total contributions to the Plan during the fiscal year ending June 30, 2023 were \$125,340. The actuarially determined contribution for the measurement period was \$362,328. The District’s contributions and benefit payments were 0.63% of payroll during the measurement period as of the fiscal year ending June 30, 2023. Employees are not required to contribute to the Plan. There have been no assets accumulated in a trust to provide for the benefits of the Plan.

**Actuarial Assumptions and Other Inputs.** Several actuarial assumptions were used to determine the District’s OPEB liability for fiscal year ending June 30, 2023, including discount rate 3.54%, inflation 2.81%, payroll increases 3.00%, municipal bond rate 3.54%, and healthcare cost trend rates 2.8081. See Note 11 to Appendix B hereto for more assumptions and details.

**Changes in OPEB Liability of the District.** The changes in OPEB liability of the District as of the fiscal year ending June 30, 2023, together with total OPEB liability as of June 30, 2023, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY  
Hillsborough City School District  
From June 30, 2022 to June 30, 2023**

	<b>Total OPEB Liability</b>
Balance at June 30, 2022	\$4,145,233
Service Cost	149,816
Interest in Total OPEB Liability	144,523
Benefit payments	(125,340)
Net changes	168,999
<b>Balance at June 30, 2023</b>	<b>\$4,314,232</b>

*Source: Hillsborough City School District Audit Report.*

**OPEB Expense.** For the fiscal year ending June 30, 2023, the District recognized an OPEB expense of \$81,703.

For more information regarding the District’s OPEB, see Note 11 of Appendix B to the Official Statement.

## Existing Debt Obligations

In addition to debt relating to pensions and OPEB, the District has outstanding debt in the form of general obligation bonds and refunding bonds, as summarized in the table below. [[[The District does not have any debt in the form of long-term leases or capital leases at this time.]]]

**General Obligation Bonds.** Shown in the following tables is the information regarding the outstanding voter-approved general obligation bonds of the District:

### HILLSBOROUGH CITY SCHOOL DISTRICT Summary of Outstanding General Obligation Bonds

GO Bond Issues	Date Issued	Original Issue Amount	Amount Outstanding (September 15, 2024)
<b><u>Election of 2002 Bonds</u></b>			
General Obligation Bonds, Election of 2002, Series B	08/29/2006	\$28,501,422.00	\$9,759,394.25
General Obligation Bonds, Election of 2002, Series C	01/27/2011	22,680,012.00	353,917.15
General Obligation Bonds, Election of 2002, Series D*	01/23/2019	2,118,566.25	1,360,000.00
<b><u>Election of 2022 Bonds</u></b>			
General Obligation Bonds, Election of 2022, Series A	09/21/2022	34,000,000.00	31,700,000.00
<b><u>Refunding Bonds</u></b>			
2020 Refunding General Obligation Bonds	06/18/2020	53,910,044.80	50,980,044.80
		<b>TOTAL OUTSTANDING:</b>	<b>\$94,153,356.20</b>

\*Private placement.

Source: Hillsborough City School District.

## Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the San Mateo County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies, which may impose limitations beyond those required by the Government Code. See APPENDIX G hereto for a copy of the County's investment policy and recent investment report.

## Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see “– Education Funding Generally” above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the

condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding.

*[Remainder of page intentionally left blank]*

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

*The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the "LAO"). Neither the District, the Underwriter nor the County is responsible for the information provided in this section.*

### State Budgeting for Education Generally

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State's general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

### The Budget Process

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

## Available Public Resources

Certain information about the State budgeting process and the State budget is available through several State sources. Convenient sources of information include:

- [www.treasurer.ca.gov](http://www.treasurer.ca.gov): The California State Treasurer internet home page, under the link to “Bond Finance” and sub-heading “-Public Finance Division”, includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.
- [www.dof.ca.gov](http://www.dof.ca.gov): The California Department of Finance’s (the “**DOF**”) internet home page, under the link to “California Budget”, includes the text of proposed and adopted State Budgets.
- [www.lao.ca.gov](http://www.lao.ca.gov): The LAO’s internet home page includes a link to “-The Budget” which includes analyses and commentary on fiscal outlooks.

*The above references to internet websites shown are shown for reference and convenience only. The information contained within the websites may include outdated information and has not been reviewed for accuracy by the District or the Underwriter. Such information is not incorporated herein by reference.*

## The 2024-25 State Budget

The Governor signed the fiscal year 2024-25 State budget on June 29, 2024, which was amended through a series of legislative trailer bills (the “**2024-25 State Budget**”). The 2024-25 State Budget notes that the State has experienced significant revenue volatility and unprecedented revenue growth that was quickly followed by a sharp and deep correction back toward historical trends. The 2024-25 State Budget also notes that the unprecedented Internal Revenue Service tax filing and payment postponement in the year 2023 significantly clouded the State’s revenue forecast, and indicates that, with the revenue picture now clearer, the 2024-25 State Budget takes steps to ensure California is on sound fiscal footing by setting the State on a fiscally responsible long-term path that protects vital programs.

The 2024-25 State Budget includes provisions intended to address a budget deficit of approximately \$46.8 billion while also creating positive fund balance in State’s Special Fund for Economic Uncertainties (the “**SFEU**”) in fiscal years 2024-25 and 2025-26 and maintaining core programs for vulnerable populations. The 2024-25 State Budget includes approximately \$16.0 billion in budgetary reductions, comprising (a) an approximately 7.95% reduction in the State’s operations budget resulting in State general fund savings of approximately \$2.2 billion, (b) a \$1.5 billion permanent reduction in State departments’ budgets for vacant positions, (c) a reduction of approximately \$0.4 billion in State Department of Corrections and Rehabilitation budget in fiscal year 2024-25 and a total reduction of approximately \$0.7 billion in fiscal years 2022-23 through 2024-25, (d) \$1.1 billion reduction in various affordable housing programs, and (e) 0.7 billion for various healthcare workforce housing programs.

The 2024-25 State Budget includes a \$13.6 billion increase in revenues by means of additional revenue sources and internal borrowing from special funds, which incorporates suspension of net operating loss deductions for companies with over \$1.0 million in taxable income and limits business tax credits to \$5.0 million in fiscal years 2023-2024 through 2025-



2026, and increased managed care organization tax generating \$5.1 billion in fiscal year 2024-25, \$4.6 billion in fiscal year 2025-26, and \$4.0 billion in fiscal year 2026-27. Significantly, the 2024-25 State Budget provides for the withdrawal of approximately \$12.2 billion from the State Rainy Day Fund (the **“Rainy Day Fund”**) over fiscal years 2024-25, and 2025-26 and approximately \$0.9 billion from the State Safety Net Reserve in fiscal year 2024-25.

Additional balancing measure include \$6.0 billion in fund shifts, such as (a) applying a prior CalPERS supplemental pension payment to the State’s overall pension liability which reduces the State’s required employer contributions in fiscal year 2024-25 by \$1.7 billion, (b) approximately \$1.0 billion from the State general fund to the State’s greenhouse gas reduction fund for the Formula and Competitive Transit and Intercity Rail Capital Program, and (c) approximately \$3.0 billion from the State general fund to the State’s greenhouse gas reduction fund for clean energy and other climate programs. The 2024-25 State Budget also delays funding for programs such as the State food assistance program expansion, developmental services, childcare slots and the State’s broadband program by a total amount of approximately \$3.1 billion and includes approximately \$2.1 billion in payroll and University of California and California State University compact deferrals. Some of the core programs maintained in the 2024-25 State Budget include funding of the Proposition 98 minimum guarantee at approximately \$115.3 billion for school districts and community colleges, Medi-Cal expansion of health care, multiple programs supporting the expansion of the continuum of behavioral health treatment and infrastructure capacity for providing behavioral health services, State supplemental payment base grants, CalWORKs base grants, in-home supportive services and certain broadband programs.

The 2024-25 State Budget projects total resources available in fiscal year 2023-24 of approximately \$236.5 billion, including revenues and transfers of approximately \$189.4 billion and a prior year balance of approximately \$47.1 billion, and total expenditures in fiscal year 2023-24 of approximately \$223.1 billion. The 2024-25 State Budget projects total resources available for fiscal year 2024-25 of approximately \$225.6 billion, inclusive of revenues and transfers of approximately \$212.1 billion and a prior year balance of approximately \$13.4 billion. The 2024-25 State Budget projects total expenditures in fiscal year 2024-25 of approximately \$211.5 billion, inclusive of non-Proposition 98 expenditures of approximately \$128.9 billion and Proposition 98 expenditures of approximately \$82.6 billion. The 2024-25 State Budget projects total reserve balances of \$22.2 billion at the end of fiscal year 2024-25. This includes \$17.6 billion in the State Rainy Day Fund, \$3.5 billion in the State’s SFEU, and \$1.1 billion in the Proposition 98 Rainy Day Fund. The 2024-25 State Budget includes total funding of \$133.8 billion for all K-12 education programs, including \$81.5 billion from the State’s general fund and \$52.3 billion from other funds. The 2024-25 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2024-25 State Budget include:

Proposition 98 Minimum Guarantee. The 2024-25 State Budget suspends the Proposition 98 minimum guarantee in fiscal year 2023-24 and projects the Proposition 98 minimum guarantee to be in Test 1 in fiscal year 2024-25. In Test 1 years, the Proposition 98 minimum guarantee is equal to the percentage of State general fund appropriated for K-14 schools in the fiscal year 1986-87. Suspending the Proposition 98 minimum guarantee is projected to create a maintenance factor obligation of approximately \$8.3 billion in fiscal year 2023-24 and is projected to result in a \$4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Proposition 98 minimum guarantee

level in fiscal year 2024-25. The 2024-25 State Budget reflects Proposition 98 funding levels of \$103.7 billion in fiscal year 2022-23, \$98.5 billion in fiscal year 2023-24, and \$115.3 billion in fiscal year 2024-25. Such funding represents approximately 39.2% of the State's general fund revenues, plus local property tax revenues and a \$4.1 billion maintenance factor payment. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2024-25 State Budget increased the funding level from approximately 38.6% to approximately 39.2% to increase the percentage of State general fund revenues due to the minimum guarantee.

Proposition 98 Rainy Day Fund. The 2024-25 State Budget includes a withdrawal of the entire \$8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 and a discretionary payment of approximately \$1.1 billion in fiscal year 2024-25, leaving a projected balance of \$1.1 billion at the end of fiscal year 2024-25. Because there is no ending balance at the end of the 2023-24 fiscal year and a balance of \$1.1 billion at the end of the 2024-25 fiscal year, school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26.

Local Control Funding Formula. The 2024-25 State Budget includes LCFF cost-of-living adjustment of 1.07%. The cost-of-living adjustment, when combined with population growth adjustments, increases discretionary funding for local agencies by approximately \$983 million. To fully fund the LCFF, the 2024-25 State Budget withdraws approximately \$5.3 billion from the Proposition 98 Rainy Day Fund to support LCFF costs in fiscal year 2023-24 and uses available reappropriation and reversion funding of \$253.9 million to support ongoing LCFF costs in fiscal year 2024-25.

Deferrals. The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately \$3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately \$246 million. Additionally, the 2024-25 State Budget reflects approximately \$2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferred categorical amount being repaid using Proposition 98 Rainy Day Fund resources.

Learning Recovery Emergency Block Grant. The 2024-25 State Budget focuses the use of allocated but unexpended Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs, and incorporates the use of these funds into the existing Local Control and Accountability Plan development process.

Employee Protections. To ensure stable employment for school staff, the 2024-25 State Budget includes a suspension of the August 15, 2024, layoff window for certificated and classified staff.

Instructional Continuity and Attendance Program. The 2024-25 State Budget includes statutory changes to allow local educational agencies to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to local educational agencies. Beginning in fiscal year 2024-25, the 2024-25 State Budget allows local educational agencies to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education for funding purposes. Beginning July 1, 2025, the 2024-25 State Budget requires local educational agencies to include an instructional continuity plan in their School Safety Plan as a

component of their emergency funding application (J-13A waiver). The plan must include procedures for student engagement within 5 days of an emergency and a plan to provide hybrid or remote learning opportunities to students within 10 instructional days. The 2024-25 State Budget also includes a \$4.0 in one-time Proposition 98 general fund resources to research and develop new models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity.

Teacher Professional Development and Preparation. To expand the state's educator training infrastructure, the 2024-25 State Budget (a) provides \$25 million of one-time Proposition 98 general fund resources to support necessary costs, including training for educators to administer literacy screenings to meet the requirement to screen students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year; and (b) provides \$20.0 million in one-time Proposition 98 general fund resources for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or non-profit providers, to develop and provide training aligned with the new California Mathematics Framework for mathematics coaches and leaders who in turn can provide training and support to mathematics teachers to deliver high-quality instruction.

State Preschool Program. The 2024-25 State Budget provides approximately \$53.7 billion of State's general fund resources to support reimbursement rate increases previously supported by available one-time federal stimulus funding. The 2024-25 State Budget reflects one-time savings of \$190.7 million general fund and \$522.3 million Proposition 98 general fund. The 2024-25 State Budget authorized State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027. The 2024-25 State Budget maintains that the State Preschool Program continue to require providers to reserve 5% of funded enrollment for children with disabilities. However, the 2024-25 State Budget suspends provisions to increase this requirement to 7.5% in fiscal year 2025-26 and 10% in fiscal year 2026-27.

Transitional Kindergarten. The 2024-25 State Budget provides approximately \$988.7 million in Proposition 98 general fund resources for the 2023-24 school year to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and April 2. The 2024-25 State Budget also provides approximately \$390.2 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2024-25 State Budget provides approximately \$1.5 billion in ongoing Proposition 98 general fund resources beginning in fiscal year 2024-25 to support the third year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and June 2. The 2024-25 State Budget also provides approximately \$515.5 million in ongoing Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.

The 2024-25 State Budget solution-oriented measures that directly impact funding for school districts include forgoing planned investments of (a) \$875.0 million to support the school facility program, (b) \$550.0 million support to the State preschool, transitional kindergarten and full-day kindergarten facilities grant program, and (c) \$500.0 million one-time investment in zero-emission school buses. The 2024-25 State Budget provides approximately \$907.1 million to

support arts and music in schools, an additional \$179.4 million in ongoing Proposition 98 general fund resources and an additional \$120.8 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2023-24 and 2024-25, \$9.0 million in one-time Proposition 98 general fund resources for the classified school employee summer assistance program, \$7.0 million in one-time Proposition 98 general fund resources to support inquiry-based science instruction and assessment through the development of a bank of curriculum-embedded performance tasks, and \$5.0 million each for the State teachers collaborative for holocaust and genocide education and school programs in rural districts.

For the full text of the 2024-25 State Budget, see the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov) or [www.ebudget.ca.gov](http://www.ebudget.ca.gov). *The references to these Internet websites are shown for reference and convenience only and the information contained on such website is not incorporated by reference into this Official Statement. The information contained on this website may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

### **Uncertainty Regarding Future State Budgets**

The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures or possible future budget deficits. Future State Budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State Budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

### **Legal Challenges to State Funding of Education**

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* property tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

### **Constitutionally Required Funding of Education**

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

### **Article XIII A of the California Constitution**

**Basic Property Tax Levy.** On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, (b) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (c) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the District, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

**Legislation Implementing Article XIII A.** Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness).

The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

***Inflationary Adjustment of Assessed Valuation.*** As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004, a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

### **Article XIII B of the California Constitution**

Article XIII B ("**Article XIII B**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the District may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

### **Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the State Board of Equalization ("**SBE**") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

### **Articles XIII C and XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "**Article XIII C**" and "**Article XIII D**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or

granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (e) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the property tax revenues available to pay debt service on the Bonds.

### **Proposition 98**

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIB



surplus. The maximum amount of excess tax revenues which could be transferred to K 14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

### **Proposition 111**

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

**Annual Adjustments to Spending Limit.** The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

**Treatment of Excess Tax Revenues.** "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

**Exclusions from Spending Limit.** Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

**Recalculation of Appropriations Limit.** The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

**School Funding Guarantee.** There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of State general fund revenues (the "**first test**") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita*

personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (a) the first test, (b) the second test, or (c) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as “**Proposition 39**”) to the California Constitution. This amendment (a) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (b) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (a) any local government debts approved by the voters prior to July 1, 1978 or (b) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (a) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (b) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (c) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

The 2020A Bonds described in this Official Statement were authorized pursuant to the provisions of Proposition 39 and will be issued in compliance with Proposition 39 and its related legislation. The 2023 Refunding Bonds will refund bonds issued pursuant to the provisions of Proposition 39.

### **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government

revenue sources. Under Proposition 1A, the State cannot (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (d) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

### **Proposition 30 and Proposition 55**

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment, also known as “**Proposition 30**”, temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases for such period the marginal personal

income tax rate by: (a) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for head of household filers and over \$500,000 but less than \$600,000 for joint filers), (b) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for head of household filers and over \$600,000 but less than \$1,000,000 for joint filers), and (c) 3% for taxable income over \$500,000 for single filers (over \$680,000 for head of household filers and over \$1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “Proposition 98” and “Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through the end of 2030, instead of the scheduled expiration date of December 31, 2018. The extensions did not apply to the sales tax and excise taxes imposed by Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

### **California Senate Bill 222**

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015, and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* property tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds, such as the Bonds, as secured debt in bankruptcy due to the existence of a statutory lien.

## **Proposition 19**

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (“**Proposition 19**”), which amends Article XIII A to (i) expand as of April 1, 2021 special rules that govern the transfer of a residential property’s tax base value to a replacement residence for homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home anywhere within the State, (ii) narrows as of February 16, 2021 existing special rules for the valuation of inherited real property due to a transfer between family members, and (iii) allocates most resulting State revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes. The District cannot predict whether the implementation of Proposition 19 will increase, decrease or have no overall impact on the District’s assessed values.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2022-23**

[THIS PAGE INTENTIONALLY LEFT BLANK]



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

AUDIT REPORT

JUNE 30, 2023



**Chavan & Associates, LLP**

Certified Public Accountants  
1475 Saratoga Ave, Suite 180  
Morgan Hill, CA 95129

*Page Intentionally Left Blank*

**Hillsborough City School District**  
County of San Mateo

Table of Contents

<b>TITLE</b>	<b>PAGE</b>
<b>FINANCIAL SECTION:</b>	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Governmental Funds Balance Sheet.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances .....	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	22
Notes to the Basic Financial Statements .....	25
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Revenue, Expenditures and Changes in Fund Balances -	
Budget and Actual (GAAP) - General Fund .....	63
Schedule of CalPERS Pension Plan Contributions.....	64
Schedule of CalPERS Proportionate Share of Net Pension Liabilities .....	65
Schedule of STRS Pension Plan Contributions .....	66
Schedule of STRS Proportionate Share of Net Pension Liabilities .....	67
Schedule of Changes in Total OPEB Liability .....	68
Defined Contribution Plan Schedule of Changes in Total Pension Liability.....	69
<b>SUPPLEMENTARY INFORMATION:</b>	
Combining Statements - Nonmajor Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds .....	73
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	74
Compliance Section:	
Organization (Unaudited) .....	77
Schedule of Average Daily Attendance .....	78
Schedule of Instructional Time .....	79
Schedule of Charter Schools (Unaudited).....	80
Schedule of Financial Trends and Analysis (Unaudited).....	81
Reconciliation of the Annual Financial and Budget Report (SACS) to the Audited Financial Statements.....	82
Notes to Compliance Section .....	83

**Hillsborough City School District**  
County of San Mateo

Table of Contents

---

**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 <i>Government Auditing Standards</i> .....	85
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on State Programs .....	87

**FINDINGS AND RECOMMENDATIONS:**

Schedule of Findings and Questioned Costs.....	93
Status of Prior Year Findings and Recommendations .....	95

**FINANCIAL  
SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsborough City School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

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

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

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



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

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP) - General Fund, schedule of CalPERS pension plan contributions, schedule of CalPERS proportionate share of net pension liabilities, schedule of STRS pension plan contributions, schedule of STRS proportionate share of net pension liabilities, and schedule of changes in total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other



knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, schedule of average daily attendance, schedule of instructional time, schedule of charter schools, schedule of financial trends and analysis and the reconciliation of the annual Financial and Budget report (SACS) to the audited financial statements, as required by the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget Report (SACS) to the audited financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time and the reconciliation of the Annual Financial and Budget report (SACS) to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools and the schedule of financial trends and analysis have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

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

*C & A LLP*

November 25, 2023  
Morgan Hill, California



*Management's Discussion and Analysis*

# Hillsborough City School District

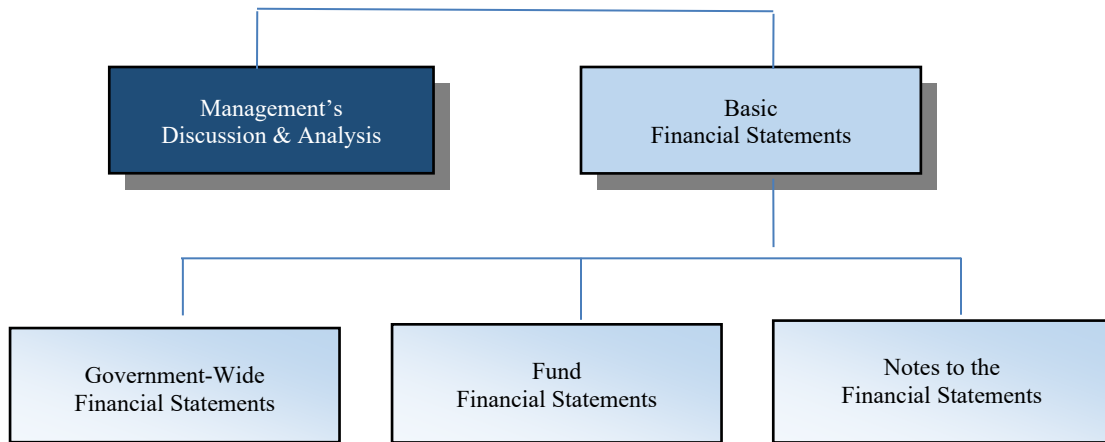
## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

### INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

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

### Required Components of the Annual Financial Report



### FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2023 were as follows:

- Total net position decreased by \$966,557, or 1.87%, which included a decrease in unrestricted net position of \$2,076,964, from June 30, 2022 to June 30, 2023, mainly due to changes in assumptions and adjustments in employee benefit plans.
- The District reported deferred outflows of resources of \$21,616,501 and deferred inflows of resources of \$9,866,998 as required by GASB pension and OPEB accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had \$44,672,543 in government-wide expenses which is 102.21% of total government-wide revenues as compared to 95.45% in the prior year. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$7,258,394, or 16.61%, of total revenues of \$43,705,986.
- General revenue of \$36,447,592 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 83.39% of total revenues in 2023 versus 89.4% in 2022.
- The fund balances of all governmental funds increased by \$47,254,078, which is a 291.6% increase from 2022.
- Total governmental fund revenues and expenditures totaled \$43,705,985 and \$44,133,700, respectively.

**Hillsborough City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

---

**USING THE ANNUAL REPORT**

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

# Hillsborough City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

---

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2022 - 2023?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

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

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

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

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

### **Governmental Funds**

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

# Hillsborough City School District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

## THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2023 as compared to June 30, 2022: During the year, deferred outflows of resources decreased by .46%, deferred inflows of resources decreased by 52.09%, and long-term liabilities increased by 40.74% because of changes in benefit obligations and actuarial assumptions related to employee benefit plans and the issuance and defeasance of general obligation bonds.

Table 1 - Summary of Statement of Net Position				
Description	2023	2022	Change	Percentage Change
<b>Assets</b>				
Current Assets	\$ 48,541,562	\$ 13,044,580	\$ 35,496,982	272.12%
Capital Assets	42,374,046	43,661,059	(1,287,013)	-2.95%
<b>Total Assets</b>	<b>\$ 90,915,608</b>	<b>\$ 56,705,639</b>	<b>\$ 34,209,969</b>	<b>60.33%</b>
<b>Total Deferred Outflows of Resources</b>	<b>\$ 21,616,501</b>	<b>\$ 21,716,612</b>	<b>\$ (100,111)</b>	<b>-0.46%</b>
<b>Liabilities</b>				
Current Liabilities	\$ 2,698,660	\$ 1,080,850	\$ 1,617,810	149.68%
Long-term Liabilities	152,653,179	108,465,112	44,188,067	40.74%
<b>Total Liabilities</b>	<b>\$ 155,351,839</b>	<b>\$ 109,545,962</b>	<b>\$ 45,805,877</b>	<b>41.81%</b>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 9,866,998</b>	<b>\$ 20,596,460</b>	<b>\$ (10,729,462)</b>	<b>-52.09%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	\$ (17,270,774)	\$ (16,525,592)	\$ (745,182)	-4.51%
Restricted	6,575,382	4,719,793	1,855,589	39.32%
Unrestricted	(41,991,336)	(39,914,372)	(2,076,964)	-5.20%
<b>Total Net Position</b>	<b>\$ (52,686,728)</b>	<b>\$ (51,720,171)</b>	<b>\$ (966,557)</b>	<b>-1.87%</b>

Defined benefit plans experienced investment returns below estimates during the measurement period, which lead to the 52.09% decrease in deferred inflows of resources and contributed to the 40.74% increase in long-term liabilities. Long-term liabilities also increased because of the \$34 million 2022 Series A general obligation bond issued by the District during the year.

**Hillsborough City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

Table 2 shows the changes in net position for fiscal year 2023 as compared to 2022:

<b>Table 2 - Summary of Changes in Statement of Activities</b>				
<b>Description</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Percentage Change</b>
<b>Revenues</b>				
Program revenues	\$ 7,258,394	\$ 4,168,395	\$ 3,089,999	74.13%
General revenues:				
Property taxes	32,390,229	30,303,431	2,086,798	6.89%
Grants and entitlements - unrestricted	868,378	713,102	155,276	21.77%
Other	3,188,985	4,121,527	(932,542)	-22.63%
<b>Total Revenues</b>	<b>43,705,986</b>	<b>39,306,455</b>	<b>4,399,531</b>	<b>11.19%</b>
<b>Program Expenses</b>				
Instruction	27,398,644	24,787,307	2,611,337	10.53%
Instruction-related services	3,791,543	3,483,542	308,001	8.84%
Pupil services	2,251,030	1,376,211	874,819	63.57%
General administration	2,696,842	2,441,185	255,657	10.47%
Plant services	3,269,748	3,043,705	226,043	7.43%
Community services	414,068	380,546	33,522	8.81%
Other outgo	90,234	100,303	(10,069)	-10.04%
Interest on long-term debt	4,760,434	1,904,933	2,855,501	149.90%
<b>Total Expenses</b>	<b>44,672,543</b>	<b>37,517,732</b>	<b>7,154,811</b>	<b>19.07%</b>
<b>Change in Net Position</b>	<b>(966,557)</b>	<b>1,788,723</b>	<b>(2,755,280)</b>	<b>154.04%</b>
<b>Beginning Net Position</b>	<b>(51,720,171)</b>	<b>(53,724,023)</b>	<b>2,003,852</b>	<b>3.73%</b>
<b>Prior Period Adjustments</b>	<b>-</b>	<b>215,129</b>	<b>(215,129)</b>	<b>100.00%</b>
<b>Ending Net Position</b>	<b>\$ (52,686,728)</b>	<b>\$ (51,720,171)</b>	<b>\$ (966,557)</b>	<b>-1.87%</b>

The District's expenses for instructional services were 69.82% of total expenses in 2022-23 as compared to 75.35% in 2021-22. The purely administrative activities of the District accounted for 6.04% of total costs in 2022-23 as compared to 6.51% in 2021-22. Interest on long-term debt represented 10.66% of total expenses in 2022-23 as compared to 5.08% in 2021-22. Total expenses were 102.21% of revenue in 2022-23 versus 95.45% in 2021-22, which is reflected in the decrease in net position of \$966,557 in 2022-23 versus a change in net position of \$1,788,723 in 2021-22. Program revenues were 16.61% of total revenues in 2022-23 and 10.6% of total revenues in 2021-22.

**Hillsborough City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

---

**GOVERNMENTAL ACTIVITIES**

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

Table 3 - Net Cost of Services				
Description	2023	2022	Change	Percentage Change
Instruction	\$ 22,970,368	\$ 21,413,919	\$ 1,556,449	7.3%
Instruction-related services	3,594,426	3,184,018	410,408	12.9%
Pupil services	1,402,902	1,286,227	116,675	9.1%
General administration	2,659,989	2,397,776	262,213	10.9%
Plant services	3,258,113	2,993,995	264,118	8.8%
Community services	399,935	363,158	36,777	10.1%
Other outgo	(1,632,018)	(194,689)	(1,437,329)	88.1%
Interest on long-term debt	4,760,434	1,904,933	2,855,501	149.9%
<b>Total Net Cost of Services</b>	<b>\$ 37,414,149</b>	<b>\$ 33,349,337</b>	<b>\$ 4,064,812</b>	<b>12.19%</b>

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

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

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

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

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

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

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

**Hillsborough City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2023

**THE DISTRICT'S FUNDS**

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

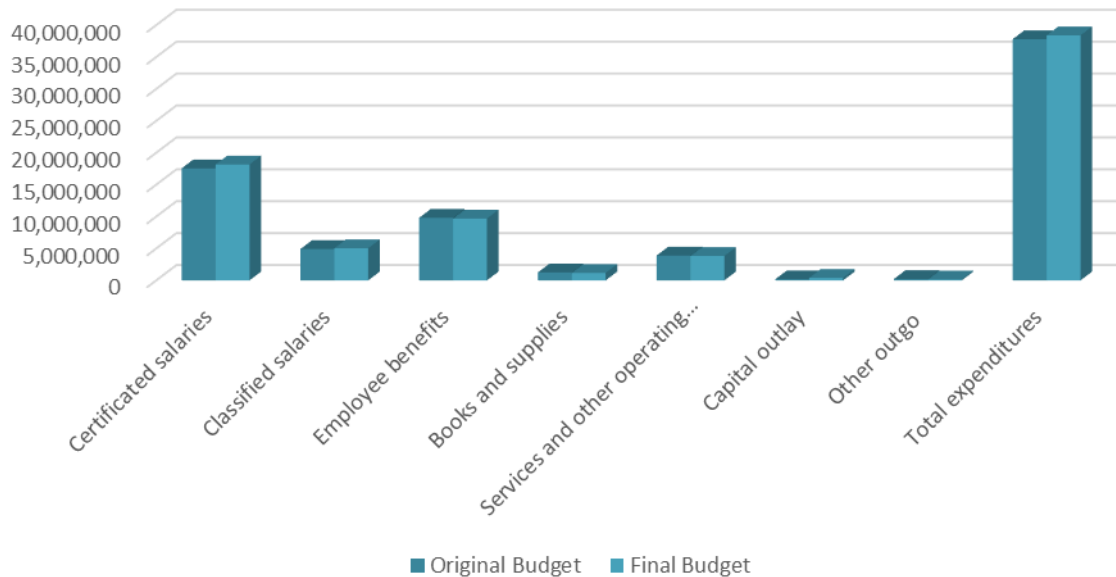
<b>Table 4 - Summary of Fund Balances</b>				
<b>Description</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Percentage Change</b>
General Fund	\$ 7,834,278	\$ 7,575,519	\$ 258,759	3.4%
Building Fund	33,603,070	-	33,603,070	100.0%
Special Reserve Fund for Capital Outlay	15,784	91,458	(75,674)	-82.7%
Bond Interest and Redemption Fund	5,293,434	4,032,302	1,261,132	31.3%
Nonmajor Funds	507,512	366,451	141,061	38.5%
<b>Total Fund Balances</b>	<b>\$ 47,254,078</b>	<b>\$ 12,065,730</b>	<b>\$ 35,188,348</b>	<b>291.6%</b>

**FINANCIAL ANALYSIS OF THE GENERAL FUND AND BUDGETING HIGHLIGHTS**

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2022-23 fiscal year, the District revised its General Fund budget three times, at 1<sup>st</sup> Interim and 2<sup>nd</sup> interim, and year-end. The overall increase in expenditures of \$391,667 was due to increases in salaries, benefits and services. The General Fund budget basis revenue increased by \$538,543 from original to final budgets.

The following summarizes the District's budgeted expenditures in the General Fund.

Chart 1: General Fund Budgeted Expenditures

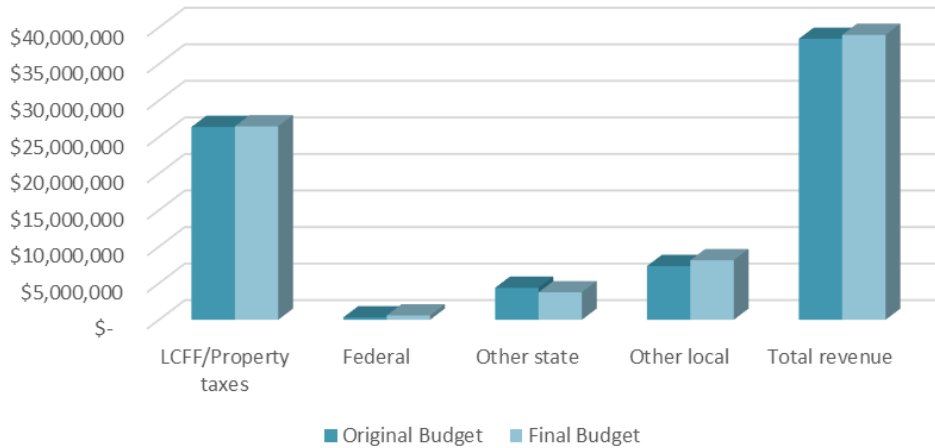




**Hillsborough City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2023

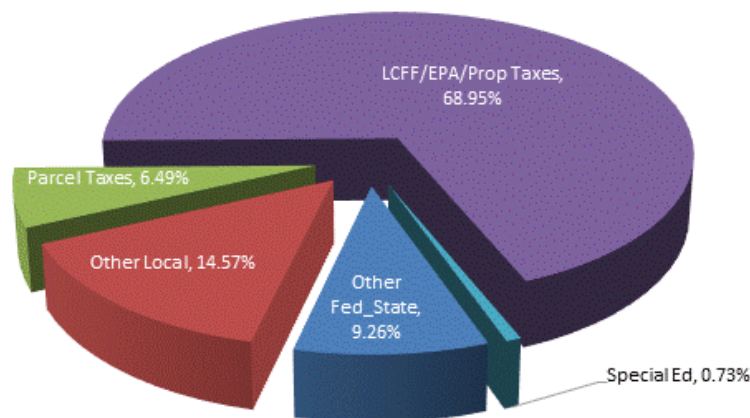
The following summarizes the District's budgeted revenue in the General Fund:

Chart 2: General Fund Budgeted Revenue



The District is community-funded basic aid, which means that the District relies on local property taxes rather than State aid for revenue. Total General Fund revenues for 2022-23 increased 8.61% from the prior year to \$38,390,425. Total LCFF sources increased by \$1,715,496 from prior year, almost all from local property taxes. Special Education funding decreased by \$19,908. Total other federal and state resources increased by \$27,707 from prior year, which is net the decrease of \$287,981 aside from District's STRS on-behalf amounts of \$1,908,203 in 2021-22 to \$1,620,222 in 2022-23. In other words, the District's actual other federal and state resources increased by \$315,687 from prior year. Locally generated revenues amounted to 89% of the District's total revenues. It's important to note that the following pie charts only include fund 01, the general operating fund of the District, whereas the General Fund as included in the audited basic financial statements, required supplementary information, supplementary information and state compliance information presented elsewhere in this report, includes fund 01, fund 17 (Special Reserve fund for Other Than Capital Outlay Projects) and fund 20 (OPEB Fund) as required by GASB 54.

Chart 3: General Fund Revenues by Object  
 (Excluding Special Reserve Fund and OPEB Fund)

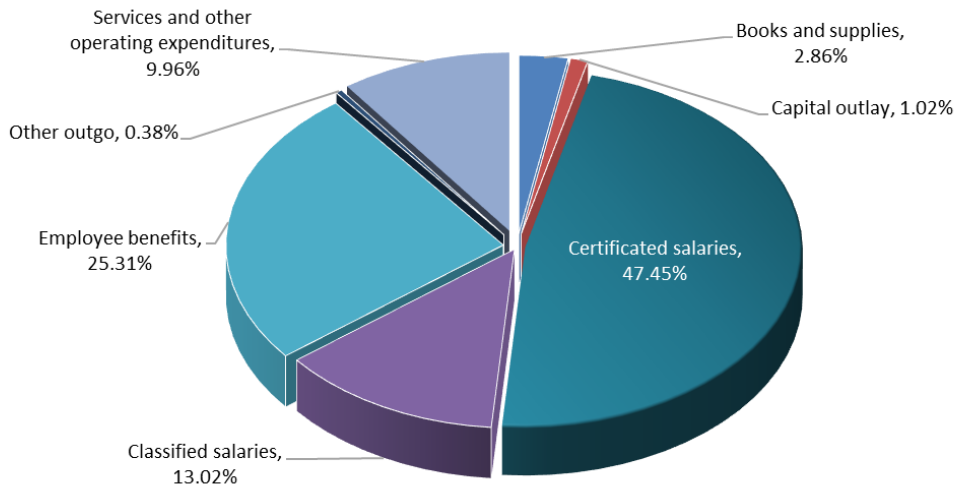


**Hillsborough City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2023

---

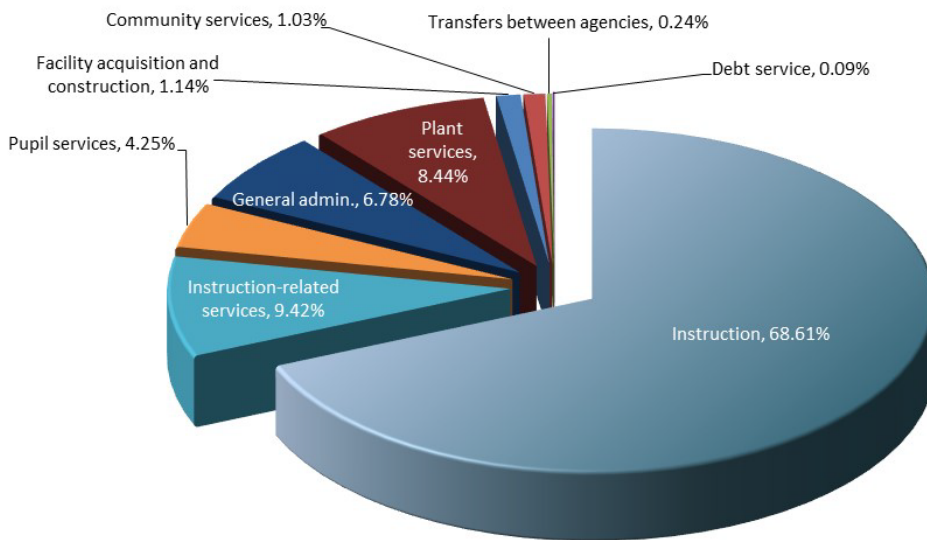
Expenditures increased 5.2% over the prior year. As is common with virtually all school districts, the majority of expenditures in the General Fund were for salaries and benefits. Of the \$38,210,956 expended during 2022-23, 85.79% was spent on salaries and benefits. See the charts below for a breakdown of general fund expenditures by Object.

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



As seen in the chart below, the District spent 78.04% of total general fund expenditures on instruction and instruction-related activities.

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



**Hillsborough City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

---

**CAPITAL ASSETS**

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

<b>Table 5 - Summary of Capital Assets Net of Depreciation</b>				
<b>Description</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Percentage Change</b>
Land	\$ 228,711	\$ 228,711	\$ -	0.00%
Work-in-Progress	1,246,559	2,848,812	(1,602,253)	-56.24%
Subscription Right of Uses Assets	71,353	-	71,353	100.00%
Land Improvements	406,788	265,106	141,682	53.44%
Buildings and Improvements	37,924,986	39,732,547	(1,807,561)	-4.55%
Equipment	2,495,649	585,883	1,909,766	325.96%
<b>Total Capital Assets - Net</b>	<b>\$ 42,374,046</b>	<b>\$ 43,661,059</b>	<b>\$ (1,287,013)</b>	<b>-2.95%</b>

**LONG TERM LIABILITIES**

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

<b>Table 6 - Summary of Long-term Liabilities</b>				
<b>Description</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Percentage Change</b>
General Obligation Bonds	\$ 117,565,744	\$ 84,101,492	\$ 33,464,252	39.79%
Subscription Liabilities	67,447	-	67,447	100.00%
Net Pension Liabilities	30,437,216	19,951,901	10,485,315	52.55%
Total OPEB Liability	4,314,532	4,145,533	168,999	4.08%
Compensated Absences	268,240	266,186	2,054	0.77%
<b>Total Long-term Liabilities</b>	<b>\$ 152,653,179</b>	<b>\$ 108,465,112</b>	<b>\$ 44,188,067</b>	<b>40.74%</b>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

The District is ever aware of its reliance on local support. Of total revenues, 12.11% is voluntarily generated (above any assessed taxes) from parents and the community. This revenue source must continue in order to maintain programs as they currently exist.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

*Page Intentionally Left Blank*

*Basic Financial Statements*

**Hillsborough City School District**

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 46,351,911
Receivables	1,298,036
Prepaid expenses	356,190
Leases receivable	535,425
Capital assets - net	42,374,046
Total Assets	<u>\$ 90,915,608</u>
<b>Deferred Outflows of Resources</b>	
Pension adjustments	\$ 9,920,476
OPEB adjustments	1,830,119
Deferred loss on early retirement of long-term debt	9,865,906
Total Deferred Outflows of Resources	<u>\$ 21,616,501</u>
<b>Liabilities</b>	
Accounts payable	\$ 594,993
Unearned revenue	166,667
Accrued interest	1,937,000
Long-term liabilities:	
Due within one year	2,352,568
Due after one year	150,300,611
Total Liabilities	<u>\$ 155,351,839</u>
<b>Deferred Inflows of Resources</b>	
Pension adjustments	\$ 5,199,750
Leases	525,824
OPEB adjustments	4,141,424
Total Deferred Inflows of Resources	<u>\$ 9,866,998</u>
<b>Net Position</b>	
Net investment in capital assets	\$ (17,270,774)
Restricted for:	
Educational programs	774,436
Debt service	5,293,434
Capital projects	506,790
Cafeteria programs	722
Unrestricted	(41,991,336)
Total Net Position	<u>\$ (52,686,728)</u>

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

**Hillsborough City School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction	\$ 27,398,644	\$ 172,844	\$ 4,255,432	\$ (22,970,368)
Instruction-related services:				
Supervision of instruction	1,685,694	6,275	102,128	(1,577,291)
Instruction library, media and technology	155,880	100	1,937	(153,843)
School site administration	1,949,969	87	86,590	(1,863,292)
Pupil services:				
Home-to-school transportation	101,321	1,263	-	(100,058)
Food services	587,167	-	624,810	37,643
All other pupil services	1,562,542	2,150	219,905	(1,340,487)
General administration:				
Data processing	587,705	-	-	(587,705)
All other general administration	2,109,137	-	36,853	(2,072,284)
Plant services	3,269,748	-	11,635	(3,258,113)
Community services	414,068	-	14,133	(399,935)
Other outgo	90,234	101,876	1,620,376	1,632,018
Interest on long-term debt	4,760,434	-	-	(4,760,434)
Total governmental activities	<u>\$ 44,672,543</u>	<u>\$ 284,595</u>	<u>\$ 6,973,799</u>	<u>(37,414,149)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				26,048,415
Taxes levied for debt service				3,849,909
Taxes levied for other specific purposes				2,491,905
Federal and state aid not restricted to specific purposes				868,378
Interest and investment earnings				191,623
Miscellaneous				2,997,362
Total general revenues				<u>36,447,592</u>
Change in net position				(966,557)
Net position beginning				<u>(51,720,171)</u>
Net position ending				<u>\$ (52,686,728)</u>

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

**Hillsborough City School District**

Governmental Funds

Balance Sheet

June 30, 2023

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 7,056,299	\$ 33,352,091	\$ 181,052	\$ 5,256,661	\$ 505,808	\$ 46,351,911
Accounts receivable	913,659	260,532	1,399	36,773	85,673	1,298,036
Due from other funds	75,000	-	-	-	-	75,000
Leases receivable	535,425	-	-	-	-	535,425
Prepaid expenses	356,190	-	-	-	-	356,190
<b>Total Assets</b>	<b>\$ 8,936,573</b>	<b>\$ 33,612,623</b>	<b>\$ 182,451</b>	<b>\$ 5,293,434</b>	<b>\$ 591,481</b>	<b>\$ 48,616,562</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 576,471	\$ 9,553	\$ -	\$ -	\$ 8,969	\$ 594,993
Due to other funds	-	-	-	-	75,000	75,000
Unearned revenue	-	-	166,667	-	-	166,667
<b>Total Liabilities</b>	<b>576,471</b>	<b>9,553</b>	<b>166,667</b>	<b>-</b>	<b>83,969</b>	<b>836,660</b>
<b>Deferred Inflows of Resources</b>						
Leases	525,824	-	-	-	-	525,824
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Revolving fund	5,000	-	-	-	-	5,000
Prepaid expenditures	356,190	-	-	-	-	356,190
<b>Restricted:</b>						
Educational programs	774,436	-	-	-	-	774,436
Cafeteria programs	-	-	-	-	722	722
Debt service	-	-	-	5,293,434	-	5,293,434
Capital projects	-	33,603,070	-	-	506,790	34,109,860
<b>Committed:</b>						
Deferred maintenance	-	-	15,784	-	-	15,784
Compensated absences	268,240	-	-	-	-	268,240
Stabilization arrangements	600,957	-	-	-	-	600,957
Other postemployment benefits	1,507,478	-	-	-	-	1,507,478
<b>Unassigned:</b>						
Reserve for economic uncertainties	2,297,457	-	-	-	-	2,297,457
Unappropriated	2,024,520	-	-	-	-	2,024,520
<b>Total Fund Balances</b>	<b>7,834,278</b>	<b>33,603,070</b>	<b>15,784</b>	<b>5,293,434</b>	<b>507,512</b>	<b>47,254,078</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,936,573</b>	<b>\$ 33,612,623</b>	<b>\$ 182,451</b>	<b>\$ 5,293,434</b>	<b>\$ 591,481</b>	<b>\$ 48,616,562</b>

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



**Hillsborough City School District**  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2023

Total fund balances - governmental funds \$ 47,254,078

Capital assets for governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of assets	86,068,521
Accumulated depreciation/amortization	(43,694,475)

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The accrued interest at the end of the period was: (1,937,000)

The differences between projected and actual amounts in pension and OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:

Pension adjustments:	
Difference between actual and expected experience	(1,697,531)
Difference between actual and expected earnings	160,242
Change in assumptions	1,713,031
Differences in proportionate share of contributions	(1,642,703)
Changes in employer's proportionate shares	1,495,225
Contribution subsequent to measurement date	4,692,462
OPEB adjustments:	
Difference between actual and expected experience	(2,813,160)
OPEB change in assumptions	501,855

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds	\$ 117,565,744	
Loss on early retirement of long-term debt	(9,865,906)	
Subscription liabilities	67,447	
Net pension liabilities	30,437,216	
Total OPEB liability	4,314,532	
Compensated absences	268,240	(142,787,273)

Total net position - governmental activities \$ (52,686,728)

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

**Hillsborough City School District**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2023

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
LCFF/Property Taxes	\$ 26,467,417	\$ -	\$ -	\$ -	\$ -	\$ 26,467,417
Federal	502,615	-	-	-	98,198	600,813
Other state	3,334,025	-	-	5,214	428,090	3,767,329
Other local	8,130,658	624,253	\$ 4,326	3,953,534	157,655	12,870,426
<b>Total revenues</b>	<b>38,434,715</b>	<b>624,253</b>	<b>4,326</b>	<b>3,958,748</b>	<b>683,943</b>	<b>43,705,985</b>
<b>Expenditures:</b>						
Instruction	26,218,548	-	-	-	-	26,218,548
Instruction-related services:						
Supervision of instruction	1,600,843	-	-	-	-	1,600,843
Instruction library, media and technology	145,505	-	-	-	-	145,505
School site administration	1,854,757	-	-	-	-	1,854,757
Pupil services:						
Home-to-school transportation	88,035	-	-	-	-	88,035
Food services	14,627	-	-	-	587,882	602,509
All other pupil services	1,519,434	-	-	-	-	1,519,434
General administration:						
Data processing	565,800	-	-	-	-	565,800
All other general administration	2,025,730	-	-	-	-	2,025,730
Plant services	3,224,497	-	-	-	-	3,224,497
Facility acquisition and construction	434,975	722,683	-	-	-	1,157,658
Community services	392,794	-	-	-	-	392,794
Transfers between agencies	90,337	-	-	-	-	90,337
Debt service:						
Principal	33,379	-	-	3,356,072	-	3,389,451
Interest and fees	1,695	298,500	-	957,607	-	1,257,802
<b>Total expenditures</b>	<b>38,210,956</b>	<b>1,021,183</b>	<b>-</b>	<b>4,313,679</b>	<b>587,882</b>	<b>44,133,700</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>223,759</b>	<b>(396,930)</b>	<b>4,326</b>	<b>(354,931)</b>	<b>96,061</b>	<b>(427,715)</b>
<b>Other financing sources (uses):</b>						
Transfers in	80,000	-	-	-	45,000	125,000
Transfers out	(45,000)	-	(80,000)	-	-	(125,000)
Proceeds from bond premium	-	-	-	1,616,063	-	1,616,063
Bond issuances	-	34,000,000	-	-	-	34,000,000
<b>Total other financing sources (uses)</b>	<b>35,000</b>	<b>34,000,000</b>	<b>(80,000)</b>	<b>1,616,063</b>	<b>45,000</b>	<b>35,616,063</b>
<b>Changes in fund balances</b>	<b>258,759</b>	<b>33,603,070</b>	<b>(75,674)</b>	<b>1,261,132</b>	<b>141,061</b>	<b>35,188,348</b>
<b>Fund balances beginning</b>	<b>7,575,519</b>	<b>-</b>	<b>91,458</b>	<b>4,032,302</b>	<b>366,451</b>	<b>12,065,730</b>
<b>Fund balances ending</b>	<b>\$ 7,834,278</b>	<b>\$ 33,603,070</b>	<b>\$ 15,784</b>	<b>\$ 5,293,434</b>	<b>\$ 507,512</b>	<b>\$ 47,254,078</b>

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

**Hillsborough City School District**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2023

Total net change in fund balances - governmental funds \$ 35,188,348

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Asset additions	1,261,778
Depreciation/amortization expense	(2,649,617)

The governmental funds report long-term debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of prepaid issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

General obligation bond principal	\$ 3,356,072	
Bond issuances	(34,000,000)	
Bond premiums	(1,616,063)	
Subscription liabilities principal	33,379	
Amortization of loss on refunding	(463,371)	
Accreted Interest	<u>(1,204,261)</u>	(33,894,244)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (1,835,000)

In governmental funds, adjustments to pension plan estimates are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 920,595

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was less than vacation used. (2,054)

In governmental funds, adjustments to OPEB plan estimates are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 43,637

Change in net position of governmental activities \$ (966,557)

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

*Page Intentionally Left Blank*

*Notes to the Basic Financial Statements*

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**1. SIGNIFICANT ACCOUNTING POLICIES**

A. Accounting Principles

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

B. Reporting Entity

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

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

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

C. Basis of Presentation

***Government-wide Financial Statements:***

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

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

***Fund Financial Statements:***

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

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

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Outflows/Deferred Inflows:**

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

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



**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**Unearned Revenue:**

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

**Unavailable Revenue:**

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

**Expenses/Expenditures:**

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major as follows:

**Major Governmental Funds:**

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

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

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

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

G. Encumbrances

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

H. Benefit Plans

*Pensions*

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

asset information within certain defined time frames. For this period, the following time frames were used for the CalPERS and STRS valuations:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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

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

*Other Postemployment Benefits Other Than Pensions (OPEB)*

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

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

I. Assets, Liabilities, and Equity

a) Cash and Investments

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

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

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

b) Fair Value Measurements

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

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

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

c) Inventories

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

d) Prepaid Items

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

e) Leases Receivable

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

f) Capital Assets

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

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

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

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

g) Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the statements but is shown as a component of general long-term debt.

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

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

h) Long-Term Liabilities

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

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

i) Subscription Based Information Technology Arrangements

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

j) Fund Balance Policy and Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

for economic uncertainties, consisting of unassigned amounts, of 6 percent of general fund operating expenditures and other financing uses.

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

- *Nonspendable* includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- *Assigned* includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Assignments may be identified by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.
- *Unassigned* includes positive fund balances within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

k) Net Position

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

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

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

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

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

1) Local Control Funding Formula and Property Taxes

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

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

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



**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

m) Risk Management

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

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

n) Accounting Estimates

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

J. Implemented Accounting Pronouncements

**GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.**

During the year, the District implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 is an accounting pronouncement issued by the Governmental Accounting Standards Board (GASB) that provides guidance on how the costs and investments for subscription-based information technology arrangements (SBITAs) are accounted for and disclosed by governmental entities. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. As a result, the District recorded an intangible right of use subscription assets of \$100,826 and corresponding subscription liabilities of \$100,826. The details of the related assets and liabilities can be found in Notes 6 and 7.

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

K. Upcoming Accounting and Reporting Changes

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

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

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**GASB Statement No. 101, *Compensated Absences***

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

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

**2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2023 is as follows:

Description	Carrying Amount	Fair Value
<b>Government-Wide Statements:</b>		
Cash with fiscal agent	\$ 2,499	\$ 2,499
Cash in revolving funds	26,872	26,872
Local Agency Investment Fund	1,939	1,910
Cash with County	46,320,601	45,000,464
Total Cash and Investments	\$ 46,351,911	\$ 45,031,744

*Cash in Banks and in Revolving Funds*

Cash balances in banks and revolving funds are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2023, the bank balances of the District's accounts were fully insured by FDIC.

*Cash in County Treasury*

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

*Fair Value Measurements*

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

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

*Policies and Practices*

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of San Mateo Investment Pool. The pool has a fair value of approximately \$2.44 billion and an amortized book value of \$2.51 billion.

*Credit Risk*

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

*Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

*Concentration of Credit Risk*

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

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2023:

Description	General Fund	Building Fund	Special Res. For Capital Outlay	Bond Interest Redemption	Nonmajor Funds	Total
Federal Government	\$ 288,794	\$ -	\$ -	\$ -	\$ 80,049	\$ 368,843
State Government	430,074	-	-	-	-	430,074
Local Government	-	-	-	-	5,624	5,624
Other Resources	194,791	260,532	1,399	36,773	-	493,495
<b>Total Accounts Receivable</b>	<b>\$ 913,659</b>	<b>\$ 260,532</b>	<b>\$ 1,399</b>	<b>\$ 36,773</b>	<b>\$ 85,673</b>	<b>\$ 1,298,036</b>

**4. INTERFUND TRANSACTIONS**

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

*Interfund Receivables/Payables (Due From/Due To)*

As of June 30, 2023, the Cafeteria Fund owed the General Fund \$75,000.

*Interfund Transfers*

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. During the fiscal year ended June 30, 2023 the District transferred \$80,000 from the Special Reserve Fund for Capital Outlay Projects to the General Fund and transferred \$40,000 from the General Fund to the Cafeteria Fund.

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**5. LEASES RECEIVABLE**

The District has an agreement with Bridge School to lease them space at North and Crocker Schools. Under the terms of the agreement, Bridge was required to pay a minimum of \$240,000 at lease inception, \$240,000 at August 1, 2023 and \$300,000 at August 1, 2026. There are options to pay annually at increased rates from \$100,000 to \$120,000 per year. The District applied an incremental borrowing rate of .32% over the term of the lease based on applicable rates. As of June 30, 2023, the District's outstanding lease receivable was \$535,425 offset by deferred inflows of resources totaling \$525,824. The lease revenue is amortized over the remaining life of the lease; seven years.

**6. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activities for the year ended June 30, 2023 were as follows:

Capital Assets	Balance July 01, 2022	Additions	Transfers/ Deletions	Balance June 30, 2023
Land - Not Depreciable	\$ 228,711	\$ -	\$ -	\$ 228,711
Construction in Progress - Not Depreciable	2,848,812	1,246,559	(2,848,812)	1,246,559
Subscription Right of Use Assets	-	100,826	-	100,826
Land Improvements	1,814,365	180,255	-	1,994,620
Buildings and Improvements	77,489,724	425,445	-	77,915,169
Furniture and Equipment	2,324,305	2,258,331	-	4,582,636
<b>Total capital assets</b>	<b>84,705,917</b>	<b>4,211,416</b>	<b>(2,848,812)</b>	<b>86,068,521</b>
Less accumulated depreciation/amortization for:				
Subscription Right of Use Assets	-	29,473	-	29,473
Land Improvements	1,549,259	38,573	-	1,587,832
Buildings and Improvements	37,757,177	2,233,006	-	39,990,183
Furniture and Equipment	1,738,422	348,565	-	2,086,987
<b>Total accum. depreciation/amortization</b>	<b>41,044,858</b>	<b>2,649,617</b>	<b>-</b>	<b>43,694,475</b>
<b>Total capital assets - net depreciation</b>	<b>\$ 43,661,059</b>	<b>\$ 1,561,799</b>	<b>\$ (2,848,812)</b>	<b>\$ 42,374,046</b>

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

Instruction	\$ 1,845,657
Supervision of instruction	125,614
Instruction library, media and technology	14,080
School site administration	142,441
Home-to-school transportation	15,527
All other pupil services	81,798
Data process services	36,312
All other general administration	134,989
Plant services	231,478
Community services	21,721
<b>Total depreciation/amortization expense</b>	<b>\$ 2,649,617</b>

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**7. LONG-TERM LIABILITIES**

*Schedule of Changes in Long-term Liabilities*

The following summarizes the changes long-term liabilities:

Description	Balance July 01, 2022	Additions	Adjustments & Deletions	Balance June 30, 2023	Due Within One Year
General Obligation Bonds	\$ 84,101,492	\$ 36,909,252	\$ 3,445,000	\$ 117,565,744	\$ 2,311,422
Subscription Liabilities	-	100,826	33,379	67,447	41,146
Net Pension Liabilities	19,951,901	17,421,076	6,935,761	30,437,216	-
Total OPEB Liability	4,145,533	5,467,174	5,298,175	4,314,532	-
Compensated Absences	266,186	2,054	-	268,240	-
<b>Total Long-term Liabilities</b>	<b>\$ 108,465,112</b>	<b>\$ 59,900,382</b>	<b>\$ 15,712,315</b>	<b>\$ 152,653,179</b>	<b>\$ 2,352,568</b>

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

*Bonds Payable*

The following summarizes the bonds outstanding as of June 30, 2023:

Bond	Maturity		Original Issue	Bonds Outstanding			Bonds Outstanding June 30, 2023
	Date Sept 1,	Interest Rate %		July 01, 2022	Additions	Deletions	
2002 GOB Series B	2031	4.74-4.88	\$ 28,501,422	\$ 12,011,422	\$ -	\$ -	\$ 12,011,422
2002 GOB Series C	2045	2.35-7.3	22,680,012	448,912	-	31,072	417,840
2002 GOB Series D	2035	2.62	2,118,566	1,865,000	-	150,000	1,715,000
2016A Refunding Bonds	2022	2-4	9,390,000	1,945,000	-	1,945,000	-
2016B Refunding Bonds	2022	2-4	2,345,000	485,000	-	485,000	-
2020 Refunding Bonds	2040	.49-3.386	53,910,045	53,780,045	-	745,000	53,035,045
2022 GOB Series A	2052	4-5	34,000,000	-	34,000,000	-	34,000,000
Subtotal General Obligation Bonds			152,945,045	70,535,379	34,000,000	3,356,072	101,179,307
Accreted Interest			85,581,479	13,566,113	1,293,189	88,928	14,770,374
Bond Premiums			-	-	1,616,063	-	1,616,063
<b>Total General Obligation Bonds</b>			<b>\$ 238,526,524</b>	<b>\$ 84,101,492</b>	<b>\$ 36,909,252</b>	<b>\$ 3,445,000</b>	<b>\$ 117,565,744</b>

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,311,422	\$ 3,848,104	\$ 6,159,526
2025	4,714,529	3,249,558	7,964,087
2026	2,519,883	3,355,796	5,875,679
2027	2,634,752	3,531,789	6,166,541
2028	2,751,971	3,716,669	6,468,640
2029-2033	13,091,079	24,632,544	37,723,623
2034-2038	26,263,942	22,276,097	48,540,039
2039-2043	20,116,729	20,197,396	40,314,125
2044-2048	10,340,000	4,822,750	15,162,750
2049-2052	16,435,000	1,764,475	18,199,475
Total Debt Service	<u>\$ 101,179,307</u>	<u>\$ 91,395,178</u>	<u>\$ 192,574,485</u>

*Subscription Based Information Technology Agreements (SBITAs)*

The following summarizes the terms of SBITAs:

	<u>Lexia Core5</u>	<u>Sophos</u>
Start	7/1/2022	12/17/2022
End	8/1/2024	12/16/2025
Annual Rate	0.29%	3.12%
Principal Paid	\$ 24,539	\$ 8,840
Interest Paid	\$ 146	\$ 1,549
Lease Amortization	\$ 17,066	\$ 12,407

The following summarizes the subscription right of use assets:

	<u>Lexia Core5</u>	<u>Sophos</u>	<u>Total</u>
Beginning	\$ -	\$ -	\$ -
Additions	51,199	49,627	100,826
Deletions	-	-	-
Ending	51,199	49,627	100,826
Accumulated Amortization	(17,066)	(12,407)	(29,473)
Subscription ROA, Net	<u>\$ 34,133</u>	<u>\$ 37,220</u>	<u>\$ 71,353</u>



**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

The following summarizes the subscription liabilities:

	Lexia Core5	Sophos	Total
Beginning	\$ -	\$ -	\$ -
Additions	51,199	49,627	100,826
Principal Paid	(24,539)	(8,840)	(33,379)
Ending	26,660	40,787	67,447
Due Within One Year	24,609	16,537	41,146
Due in More Than One Year	\$ 2,051	\$ 24,250	\$ 26,301

The following summarizes the future payments on SBITAs:

For the Year Ending June 30,	Principal			Interest			Total		
2024	\$ 41,146	\$ 1,349	\$ 42,495						
2025	19,104	763	19,867						
2026	7,197	225	7,422						
Total Debt Service	\$ 67,447	\$ 2,337	\$ 69,784						

## 8. SUMMARY OF PENSION PLAN BALANCES

The following schedule summarizes the pension balances by plan:

	Defined Benefit Plans		Defined Contribution	Total
	PERS	STRS	Plan	
Deferred outflows of resources	\$ 3,437,582	\$ 6,454,082	\$ 28,812	\$ 9,920,476
Deferred inflows of resources	\$ 411,353	\$ 4,749,913	\$ 38,484	\$ 5,199,750
Net pension liabilities	\$ 9,703,018	\$ 20,150,940	\$ 583,258	\$ 30,437,216
Pension expense (credit)	\$ 1,421,265	\$ 1,620,224	\$ 33,651	\$ 3,075,140

## 9. CALPERS PENSION PLAN

### *General Information about the PERS Pension Plan*

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

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.420%	7.420%
Required employer contribution rates	25.370%	25.370%

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

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For fiscal year ending June 30, 2023, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2023 the District's contributions were as follows:

	CalPERS
Contributions - employer	\$ 1,283,086

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
CalPERS	<u><u>\$ 9,703,018</u></u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate shares of the net pension liability for the Plan as of, June 30, 2022 and 2023 was as follows:

	<u>CalPERS</u>
Proportion - June 30, 2022	0.02865%
Proportion - June 30, 2023	<u>0.02820%</u>
Change - Increase/(Decrease)	<u>-0.00045%</u>

For the year ended June 30, 2023, the District recognized pension expense of \$1,421,265 for the Plan. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 717,774	\$ -
Differences between Expected and Actual Experience	43,852	241,424
Differences between Projected and Actual Investment Earnings	1,145,662	-
Differences between Employer's Contributions and Proportionate Share of Contributions	1,199	78,055
Change in Employer's Proportion	246,009	91,874
Pension Contributions Made Subsequent to Measurement Date	<u>1,283,086</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 3,437,582</u></u>	<u><u>\$ 411,353</u></u>

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

The District reported \$1,283,086 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2024	\$ 511,547
2025	326,752
2026	206,260
2027	698,585
2028	-
Thereafter	-
<b>Total</b>	<b>\$ 1,743,144</b>

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

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

**Discount Rate** - The discount rate used to measure the total pension liability was 6.9%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 6.9% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2022 based on June 30, 2021 Valuations, that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

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

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

		<b>CalPERS</b>
1% Decrease		5.90%
Net Pension Liability	\$	14,016,501
Current		6.90%
Net Pension Liability	\$	9,703,018
1% Increase		7.90%
Net Pension Liability	\$	6,138,083

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

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

*General Information about the STRS Pension Plan*

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

**Benefits Provided** - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost-of-living adjustments for the Plan are applied as specified by the retirement Law. The Plan’s provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<b>CalSTRS</b>	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	19.100%	19.100%
Required State contribution rates	10.828%	10.828%

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

For the year ended June 30, 2023, the District contributions were as follows.

	<b>CalSTRS</b>
Employer Contributions	\$ 3,409,376
State Contributions	1,620,224
Total	\$ 5,029,600

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
District	\$ 20,150,940
State	10,091,591
Total	\$ 30,242,531

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 10.87 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	<b>CalSTRS</b>
Proportion - June 30, 2022	0.02967%
Proportion - June 30, 2023	0.02900%
Change - Increase/(Decrease)	-0.00067%

For the year ended June 30, 2023, the District recognized pension expense of \$4,019,528 for the Plan, including pass-through expenses from the state of \$1,620,224.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 999,340	\$ -
Differences between Expected and Actual Experience	16,530	1,510,900
Differences between Projected and Actual Investment Earnings	-	985,420
Differences between Employer's Contributions and Proportionate Share of Contributions	2,986	1,568,833
Change in Employer's Proportion	2,025,850	684,760
Pension Contributions Made Subsequent to Measurement Date	3,409,376	-
<b>Total</b>	<b>\$ 6,454,082</b>	<b>\$ 4,749,913</b>

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

<b>Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2024	\$ (228,788)
2025	(1,134,748)
2026	(1,411,869)
2027	1,514,110
2028	(142,542)
Thereafter	(301,372)
<b>Total</b>	<b>\$ (1,705,209)</b>



**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

- (1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB
- (2) Net of investment expense but gross of administrative expenses.
- (3) Based on 110% of the MP-2019 Ultimate Projection

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

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

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

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

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability	\$ 34,223,770
Current	7.10%
Net Pension Liability	\$ 20,150,940
1% Increase	8.10%
Net Pension Liability	\$ 8,466,260

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

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

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

Eligibility is determined by employee classification as follows:

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

**Employees Covered by Benefit Terms** - At July 1, 2022 (the valuation date), the benefit terms covered the following employees:

Active employees	185
Inactive employees	63
<b>Total employees</b>	<b>248</b>

**Contributions** – The District makes contributions based on an actuarially determined rate and are approved by the authority of the District’s Board. Total contributions made as benefit payments in the OPEB plan during the year were \$125,340. The actuarially determined contribution for the measurement period was \$362,328. The District’s benefit payments were 0.63% of covered payroll during the measurement period June 30, 2023. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

Valuation Date:	July 1, 2022
Measurement Date:	June 30, 2023
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 Years
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.81%
Payroll Increases	3.00%
Municipal Bond Rate	3.54%
Healthcare Trend	2.81%
Mortality	2017 CalSTRS Mortality Table 2019 CalPERS Active Mortality for Miscellaneous employees
Retirement	2017 CalSTRS Retirement Table Hired before 1/1/2013: 2017 CalPERS Retirement Rates for School Employees 2%@55 Hired after 1/1/2013: 2017 CalPERS Retirement Rate for Employees 2%@60 adjusted to minimum retirement age of 52
Service Requirement	Certificated: 2019 CalSTRS Withdrawal Classified: Terminated Refund Rates (School), and Terminated Vested Rates (School)

**Significant Changes from the Previous Actuarial Valuation**

None

**Discount Rate** - The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of June 30, 2023.

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**Changes in the Total OPEB Liability** - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2023, for the measurement date of June 30, 2023.

<b>Fiscal Year Ended June 30, 2023</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Total OPEB Liability</b>
<b>Balance at June 30,2022</b>	\$ 4,145,233	\$ -	\$ 4,145,233
Service cost	149,816	-	149,816
Interest in Total OPEB Liability	144,523	-	144,523
Benefit payments	(125,340)	-	(125,340)
<b>Net changes</b>	168,999	-	168,999
<b>Balance at June 30, 2023</b>	<u>\$ 4,314,232</u>	<u>\$ -</u>	<u>\$ 4,314,232</u>

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

**Deferred Inflows and Outflows of Resources** - At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 418,003	\$ 3,231,163
Change in assumptions	1,412,116	910,261
<b>Totals</b>	<u>\$ 1,830,119</u>	<u>\$ 4,141,424</u>

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

Year Ended June 30,	
2024	\$ (212,636)
2025	(212,636)
2026	(212,636)
2027	(530,212)
2028	(724,852)
Thereafter	(418,333)
<b>Total</b>	<u>\$ (2,311,305)</u>

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**OPEB Expense** - The following summarizes the OPEB expense by source during the year ended June 30, 2023, for the measurement date of June 30, 2023:

Service cost	\$	149,816
Interest in TOL		144,523
Difference between actual and expected experience		(455,392)
Change in assumptions		242,756
<b>OPEB Expense</b>	<b>\$</b>	<b><u>81,703</u></b>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2023, for the measurement date of June 30, 2023:

Total OPEB liability ending	\$	4,314,232
Total OPEB liability beginning		<u>(4,145,233)</u>
Change in total OPEB liability		<u>168,999</u>
Changes in deferred outflows		529,556
Changes in deferred inflows		(742,192)
Employer contributions/benefit payments		<u>125,340</u>
<b>OPEB Expense</b>	<b>\$</b>	<b><u>81,703</u></b>

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

	<b>Municipal Bond Rate</b>		
	<b>(1% Decrease )</b>	<b>3.54%</b>	<b>(1% Increase )</b>
Total OPEB Liability	\$ 5,071,021	\$ 4,314,232	\$ 3,713,075

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

	<b>Trend Rate</b>		
	<b>(1% Decrease )</b>	<b>2.81%</b>	<b>(1% Increase )</b>
Total OPEB Liability	\$ 3,600,606	\$ 4,314,232	\$ 5,232,216

## 12. DEFINED CONTRIBUTION PENSION PLAN

**Plan Description** - The District makes a cash payment to reimburse its retirees for the cost of medical insurance acquired through CalPERS. The District has set maximum payment for each

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

employee classification. The amount paid to the retiree is the net amount after paying the CalPERS minimum contribution for participating retirees.

Certain information contained in this note is based on information for the Defined Contribution Plan measured as of July 1, 2022, which is the most recent valuation date for which complete information related to the year ended June 30, 2023 is available.

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

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

Active employees	185
Inactive employees	16
<b>Total employees</b>	<b>201</b>

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

**Trust Assets** - None

**Measurement of Total Pension Liability** - The total pension liability at the June 30, 2023 measurement date was determined using an actuarial valuation as of July 1, 2022.

**Actuarial Assumptions** - The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	July 1, 2022
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal, as a percent of salary
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	1.81%
Payroll Increases	3.00%
Healthcare Trend	2.82%
Mortality	Varies based on coded field: RET_SYS
Certificated	2019 CalSTRS Mortality, table B.2
Classified	2017 CalPERS Active Mortality Miscellaneous employees

**Significant Changes from the Previous Actuarial Valuation:**

None

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

<b>Fiscal Year Ended June 30, 2023</b>	<b>Total Pension Liability</b>
<b>Balance at June 30, 2022</b>	\$ 624,065
Service cost	17,411
Interest	20,695
Benefit payments	<u>(78,913)</u>
<b>Net changes</b>	<u>(40,807)</u>
<b>Balance at June 30, 2023</b>	<u>\$ 583,258</u>

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

Service cost	\$ 17,411
Interest	20,695
Difference between actual and expected experience	(2,649)
Change in assumptions	<u>(1,806)</u>
<b>Net Pension Expense</b>	<u><b>\$ 33,651</b></u>

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ 5,589
Changes in assumptions	28,812	32,895
<b>Totals</b>	<u>\$ 28,812</u>	<u>\$ 38,484</u>



**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

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

Year Ended June 30,	
2023	(4,455)
2024	(4,455)
2025	(762)
<b>Total</b>	<u>\$ (9,672)</u>

**Sensitivity of the Total Pension Liability to Changes in the Discount Rate** - The following presents the total pension liability of the district as of the June 30, 2023 measurement date, calculated using the discount rate of 3.54% percent, as well as what the district's total pension liability would be if it were not calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	<b>Discount Rate</b>		
	<b>(1% Decrease )</b>	<b>3.54%</b>	<b>(1% Increase )</b>
Net Pension Liability	\$ 617,437	\$ 583,258	\$ 551,904

**Sensitivity of the Total Pension Liability to Changes in medical inflation rate** - The following presents the total pension liability of the district as of the June 30, 2023 measurement date, calculated using the medical inflation rate of 2.82% percent, as well as what the district's total pension liability would be if it were not calculated using a medical inflation rate that is one percentage point lower (1.82%) or one percentage point higher (3.82%) than the current rate:

	<b>Trend Rate</b>		
	<b>(1% Decrease )</b>	<b>2.82%</b>	<b>(1% Increase )</b>
Net Pension Liability	\$ 615,216	\$ 583,258	\$ 633,609

### 13. COMMITMENTS AND CONTINGENCIES

*Litigation*

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

*Federal and State Allowances, Awards and Grants*

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

**Hillsborough City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2023

---

**14. JOINT POWERS AGREEMENTS**

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

The following is a summary of the SMCSIG JPA's most recent financial statement information:

	SMCSIG
	<u>June 30, 2022</u>
Total Assets and Deferred Outflows	\$ 56,553,866
Total Liabilities and Deferred Inflows	27,642,378
Total Net Position	28,911,488
Total Revenues	46,979,490
Total Expenditures	41,585,666

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**Hillsborough City School District**  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (GAAP)  
General Fund  
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
LCFF/Propert Taxes	\$ 26,383,834	\$ 26,467,417	\$ 26,467,417	\$ -
Federal	325,502	600,813	502,615	(98,198)
Other state	4,385,275	3,762,115	3,334,025	(428,090)
Other local	7,347,796	8,150,605	8,130,658	(19,947)
Total revenues	38,442,407	38,980,950	38,434,715	(546,235)
Expenditures:				
Certificated salaries	17,556,727	18,153,957	18,135,765	18,192
Classified salaries	4,906,732	5,030,567	4,974,412	56,155
Employee benefits	9,800,932	9,682,885	9,669,467	13,418
Books and supplies	1,241,210	1,162,984	1,091,842	71,142
Services and other operating expenditures	4,087,714	3,825,397	3,804,286	21,111
Capital outlay	178,075	388,360	388,360	-
Other outgo	227,913	146,820	146,824	(4)
Total expenditures	37,999,303	38,390,970	38,210,956	180,014
Excess (deficiency) of revenues over (under) expenditures	443,104	589,980	223,759	(366,221)
Other financing sources (uses):				
Transfers in	80,000	80,000	80,000	-
Transfers out	(100,000)	(45,000)	(45,000)	-
Total other financing sources (uses)	(20,000)	35,000	35,000	-
Changes in fund balance	<u>\$ 423,104</u>	<u>\$ 624,980</u>	258,759	<u>\$ (366,221)</u>
Fund balance beginning			<u>7,575,519</u>	
Fund balance ending			<u>\$ 7,834,278</u>	

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

**Hillsborough City School District**  
**Schedule of CalPERS Pension Plan Contributions**  
**For the Year Ended June 30, 2023**

CalPERS	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	\$ 332,046	\$ 350,898	\$ 444,062	\$ 503,369	\$ 635,069	\$ 812,476	\$ 853,849	\$ 992,589	\$ 1,283,086
Contributions in Relation to									
Contractually Required Contributions	332,046	350,898	444,062	503,369	635,069	812,476	853,849	992,589	1,283,086
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 2,820,882</b>	<b>\$ 2,961,914</b>	<b>\$ 3,197,451</b>	<b>\$ 3,241,060</b>	<b>\$ 3,516,050</b>	<b>\$ 4,119,852</b>	<b>\$ 4,125,617</b>	<b>\$ 4,333,683</b>	<b>\$ 5,059,944</b>
<b>Contributions as a % of Covered Payroll</b>	<b>11.77%</b>	<b>11.85%</b>	<b>13.89%</b>	<b>15.53%</b>	<b>18.06%</b>	<b>19.72%</b>	<b>20.70%</b>	<b>22.90%</b>	<b>25.36%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2021  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
3.9 Years Remaining Amortization Period  
Inflation Assumed at 2.30%  
Investment Rate of Returns set at 7.00%  
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.  
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then to 6.90% in FY23.  
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY23.  
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.  
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.  
This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

**Hillsborough City School District**  
**Schedule of CalPERS Pension Plan Contributions**  
**For the Year Ended June 30, 2023**

<b>CalPERS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
District's Proportion of Net Pension Liability	0.02570%	0.02533%	0.02541%	0.02507%	0.02447%	0.02535%	0.02848%	0.02865%	0.02820%
Proportionate Share of Net Pension Liability	\$ 2,917,576	\$ 3,733,599	\$ 5,018,892	\$ 5,984,871	\$ 6,524,472	\$ 7,387,193	\$ 8,739,461	\$ 5,825,205	\$ 9,703,018
Covered Payroll	\$ 2,697,745	\$ 2,820,882	\$ 2,961,914	\$ 3,197,451	\$ 3,241,060	\$ 3,516,050	\$ 4,119,852	\$ 4,125,617	\$ 4,333,683
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>108.15%</b>	<b>132.36%</b>	<b>169.45%</b>	<b>187.18%</b>	<b>201.31%</b>	<b>210.10%</b>	<b>212.13%</b>	<b>141.20%</b>	<b>223.90%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>83.38%</b>	<b>79.43%</b>	<b>73.90%</b>	<b>71.87%</b>	<b>70.85%</b>	<b>70.05%</b>	<b>70.00%</b>	<b>80.97%</b>	<b>69.76%</b>

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.  
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then to 6.90% in FY23.  
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY23.  
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.  
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.  
This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

**Hillsborough City School District**  
**Schedule of CalPERS Pension Plan Contributions**  
**For the Year Ended June 30, 2023**

CalSTRS	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	\$ 1,157,499	\$ 1,465,703	\$ 1,769,285	\$ 2,003,090	\$ 2,350,055	\$ 2,504,484	\$ 2,564,887	\$ 2,043,146	\$ 3,409,376
Contributions in Relation to Contractually Required Contributions	1,157,499	1,465,703	1,769,285	2,003,090	2,350,055	2,504,484	2,564,887	2,043,146	3,409,376
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 13,034,899</b>	<b>\$ 13,659,860</b>	<b>\$ 14,064,269</b>	<b>\$ 13,881,428</b>	<b>\$ 14,435,227</b>	<b>\$ 14,646,105</b>	<b>\$ 15,878,198</b>	<b>\$ 17,048,922</b>	<b>\$ 17,856,144</b>
<b>Contributions as a % of Covered Payroll</b>	<b>8.88%</b>	<b>10.73%</b>	<b>12.58%</b>	<b>14.43%</b>	<b>16.28%</b>	<b>17.10%</b>	<b>16.15%</b>	<b>11.98%</b>	<b>19.09%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2021  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll Basis  
7 Years Remaining Amortization Period  
Inflation Assumed at 2.75%  
Investment Rate of Returns set at 7.10%  
Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.  
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.  
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.  
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.  
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.  
This schedule provides information about the District's required and actual contributions to CalSTRS during the year.

**Hillsborough City School District**  
**Schedule of CalPERS Pension Plan Contributions**  
**For the Year Ended June 30, 2023**

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's Proportion of Net Pension Liability	0.02687%	0.02642%	0.02652%	0.02700%	0.02600%	0.02700%	0.02700%	0.02967%	0.02900%
District's Proportionate Share of Net Pension Liability	\$ 15,702,742	\$ 17,786,323	\$ 21,446,713	\$ 24,969,330	\$ 23,895,820	\$ 24,385,320	\$ 26,165,430	\$ 13,502,631	\$ 20,150,940
State's Proportionate Share of Net Pension Liability Associated with the District	9,481,944	9,407,008	12,209,185	14,771,606	13,681,552	13,303,899	13,488,279	6,793,984	10,091,591
	<u>\$ 25,184,686</u>	<u>\$ 27,193,331</u>	<u>\$ 33,655,898</u>	<u>\$ 39,740,936</u>	<u>\$ 37,577,372</u>	<u>\$ 37,689,219</u>	<u>\$ 39,653,709</u>	<u>\$ 20,296,615</u>	<u>\$ 30,242,531</u>
Covered Payroll	\$ 11,968,521	\$ 13,034,899	\$ 13,659,860	\$ 14,064,269	\$ 13,881,428	\$ 14,435,227	\$ 14,646,105	\$ 15,878,198	\$ 17,048,922
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>131.20%</b>	<b>136.45%</b>	<b>157.01%</b>	<b>177.54%</b>	<b>172.14%</b>	<b>168.93%</b>	<b>178.65%</b>	<b>85.04%</b>	<b>118.19%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>76.52%</b>	<b>74.02%</b>	<b>70.04%</b>	<b>69.46%</b>	<b>70.99%</b>	<b>72.56%</b>	<b>71.82%</b>	<b>87.21%</b>	<b>81.20%</b>

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.  
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.  
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.  
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.  
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

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



**Hillsborough City School District**  
**Schedule of Changes in Total OPEB Liability**  
**For the Year Ended June 30, 2023**

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

*Other Notes*

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

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

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

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

**Hillsborough City School District**  
**Defined Contribution Plan Schedule of Changes in Total Pension Liability**  
**For the Year Ended June 30, 2023**

Fiscal Year Ended	2020	2021	2022	2023
<b>Pension Liability</b>				
Service cost	\$ 15,046	\$ 17,922	\$ 16,816	\$ 17,411
Interest	25,637	16,746	22,274	20,695
Diff. between expected and actual exp.	-	-	(10,887)	-
Changes of assumptions	83,952	-	(64,077)	-
Benefit payments	(106,756)	(90,032)	(88,441)	(78,913)
Net change in Pension Liability	17,879	(55,364)	(124,315)	(40,807)
Pension Liability - Beginning	785,865	803,744	748,380	624,065
Pension Liability - Ending	\$ 803,744	\$ 748,380	\$ 624,065	\$ 583,258
Net Pension Liability	\$ 803,744	748,380	624,065	583,258
Annual Covered Payroll	\$ 18,910,925	\$ 19,289,144	\$ 18,845,978	\$ 19,411,357
NPL as % of Covered Payroll	4.25%	3.88%	3.31%	3.00% <sup>1</sup>

**SUPPLEMENTARY  
INFORMATION**

*Page Intentionally Left Blank*

*Nonmajor Governmental Funds  
Combining Schedules*

**Hillsborough City School District**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023

	Special Revenue Funds	Capital Projects Funds	
	Cafeteria Fund	Capital Facilities Fund	Totals
<b>Assets</b>			
Cash and investments	\$ 4,642	\$ 501,166	\$ 505,808
Accounts receivable	80,049	5,624	85,673
<b>Total Assets</b>	<b>\$ 84,691</b>	<b>\$ 506,790</b>	<b>\$ 591,481</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 8,969	\$ -	\$ 8,969
Due to other funds	75,000	-	75,000
<b>Total Liabilities</b>	<b>83,969</b>	<b>-</b>	<b>83,969</b>
Fund balances:			
Restricted for:			
Capital projects	\$ -	\$ 506,790	\$ 506,790
Cafeteria programs	722	-	722
<b>Total Fund Balances</b>	<b>722</b>	<b>506,790</b>	<b>507,512</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 84,691</b>	<b>\$ 506,790</b>	<b>\$ 591,481</b>

**Hillsborough City School District**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2023

	Special Revenue Fund	Capital Projects Funds	
	Cafeteria Fund	Capital Facilities Fund	Totals
Revenues:			
Federal	\$ 98,198	\$ -	\$ 98,198
Other state	428,090	-	428,090
Other local	(1,473)	159,128	157,655
Total revenues	524,815	159,128	683,943
Expenditures:			
Pupil services:			
Food services	587,882	-	587,882
Total expenditures	587,882	-	587,882
Excess (deficiency) of revenues over (under) expenditures	(63,067)	159,128	96,061
Other financing sources (uses):			
Transfers in	45,000	-	45,000
Transfers out	-	-	-
Total other financing sources (uses)	45,000	-	45,000
Changes in fund balances	(18,067)	159,128	141,061
Fund balances beginning	18,789	347,662	366,451
Fund balances ending	\$ 722	\$ 506,790	\$ 507,512

*Page Intentionally Left Blank*



**COMPLIANCE  
SECTION**

**Hillsborough City School District**  
Organization (Unaudited)  
June 30, 2023

---

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

**Governing Board**

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

**Administration**

Louann Carlomagno  
Superintendent

Joyce Shen  
Chief Business Official

**Hillsborough City School District**  
Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2023

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	503.65	506.73	503.65	506.73
Grades four through six	445.89	448.62	445.89	448.62
Grades seven and eight	282.80	283.67	282.80	283.67
Regular ADA Totals	1,232.34	1,239.02	1,232.34	1,239.02
Extended year Special education				
Grades TK/K through three	0.50	0.50	0.50	0.50
Grades four through six	0.30	0.30	0.30	0.30
Grades seven and eight	0.29	0.29	0.29	0.29
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	0.46	0.55	0.46	0.55
Grades four through six	-	-	-	-
Grades seven and eight	0.92	0.94	0.92	0.94
Extended year special education - nonpublic, nonsect schools:				
Grades four through six	0.11	0.11	0.11	0.11
ADA Totals	1,234.92	1,241.71	1,234.92	1,241.71

**Hillsborough City School District**  
 Schedule of Instructional Time  
 For the Fiscal Year Ended June 30, 2023

---

Grade Level	Minutes Requirements	2023 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	50,340	180	0	In compliance
Grade 1	50,400	51,650	180	0	In compliance
Grade 2	50,400	51,650	180	0	In compliance
Grade 3	50,400	52,960	180	0	In compliance
Grade 4	54,000	55,600	180	0	In compliance
Grade 5	54,000	55,600	180	0	In compliance
Grade 6	54,000	61,211	180	0	In compliance
Grade 7	54,000	61,211	180	0	In compliance
Grade 8	54,000	61,211	180	0	In compliance

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

**Hillsborough City School District**  
Schedule of Charter Schools (Unaudited)  
For the Fiscal Year Ended June 30, 2023

---

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

**Hillsborough City School District**  
Schedule of Financial Trends and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2023

	(Budget) <sup>(1)</sup>			
	2024	2023	2022	2021
<b>General Fund</b>				
Revenues and other financial sources	\$ 38,271,175	\$ 38,514,715	\$ 35,438,251	\$ 32,960,636
Expenditures	38,045,401	38,210,956	36,333,716	32,979,891
Other uses and transfers (out)	100,000	45,000	100,000	-
Total outgo	38,145,401	38,255,956	36,433,716	32,979,891
Change in fund balance	125,774	258,759	(995,465)	(19,255)
GASB Adjustments	-	-	215,129	43,516
Ending fund balance	\$ 7,960,052	\$ 7,834,278	\$ 7,575,519	\$ 8,355,855
Available reserves <sup>(2)</sup>	\$ 4,909,600	\$ 4,321,977	\$ 5,344,179	\$ 6,086,932
Designated for economic uncertainty	\$ 2,290,824	\$ 2,297,457	\$ 2,776,351	\$ 2,563,555
Unassigned fund balance	\$ 2,618,776	\$ 2,024,520	\$ 2,567,828	\$ 3,523,377
Available reserves as a percentage of total outgo	13%	11%	15%	18%
Total long-term debt	\$ 150,300,611	\$ 152,653,179	\$ 108,465,112	\$ 131,483,639
Average daily attendance at P-2	1,235	1,235	1,212	1,244

ADA has decreased by 9 over the past three years. The district anticipates no increase in ADA in 2024.

The general fund balance has decreased by \$521,577 over the past three years and operated at a deficit in two of the last three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$21,169,540 over the past three years.

<sup>(1)</sup> Budget numbers are based on the first adopted budget of the fiscal year 2023/24

<sup>(2)</sup> Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

**Hillsborough City School District**  
 Reconciliation of Annual Financial and Budget Report (SACS)  
 to the Audited Financial Statements  
 For the Fiscal Year Ended June 30, 2023

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2023 Annual Financial and Budget Report Fund Balances	\$ 5,716,243	\$ 33,603,070	\$ 15,784	\$ 5,293,434	\$ 2,615,947
Adjustments and Reclassifications:					
GASB 87 lease amortization	9,600	-	-	-	-
GASB 54 reclassifications	2,108,435	-	-	-	(2,108,435)
June 30, 2023 Audited Financial Statements Fund Balances	<u>\$ 7,834,278</u>	<u>\$ 33,603,070</u>	<u>\$ 15,784</u>	<u>\$ 5,293,434</u>	<u>\$ 507,512</u>

**Hillsborough City School District**  
Notes to Compliance Section  
For the Fiscal Year Ended June 30, 2023

---

**1. PURPOSE OF SCHEDULES**

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

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

C. Schedule of Charter Schools

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

D. Schedule of Financial Trends and Analysis

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

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

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



**OTHER 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***

Board of Trustees  
Hillsborough City School District  
Hillsborough, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hillsborough City School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2023.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings and questioned costs as finding 2023-001.

### **District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

C & A LLP

November 25, 2023  
Morgan Hill, California



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### Report of State Compliance

#### Opinion on State Compliance

We have audited the Hillsborough City School District's (the District) compliance with the types of compliance requirements described in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2023.

In our opinion, Hillsborough City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2023.

#### Basis for Opinion on State Compliance Requirements

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hillsborough City School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of Hillsborough City School District's compliance with the compliance requirements referred to above.

#### Other Matter

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as finding 2023-001.



### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of State Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hillsborough City School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hillsborough City School District's compliance with the requirements of applicable state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:



2022-23 K-12 Audit Guide Procedures	Procedures Performed
<b>Local Education Agencies Other than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss	N/A
<b>School Districts, County Offices of Education, and Charter Schools</b>	
California Clean Energy Job Acts	N/A
<b>After School Education and Safety Program:</b>	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities	Yes
Career Technical Education Incentive Grant	N/A
Transitional Kindergarten	Yes
<b>Charter Schools:</b>	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Districts	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A



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

### Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

C & A LLP

November 25, 2023  
Morgan Hill, California

*Page Intentionally Left Blank*



**FINDINGS AND  
RECOMMENDATIONS**

**Hillsborough City School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2023**

---

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses?	_____ Yes <u>  x  </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes <u>  x  </u> None Reported
Non-compliance material to financial statements noted?	_____ Yes <u>  x  </u> No

**State Awards**

Internal control over state programs:	
Material weaknesses?	_____ Yes <u>  x  </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  x  </u> Yes    _____ None Reported
Type of auditor's report issued on compliance over state programs:	<b>Unmodified</b>

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - State Award Findings and Questioned Costs**

**Finding 2023-001: Instructional Materials (70000)**

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

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

**Questioned Costs:** None

**Effect:** The District was not in compliance with California Education Code section 60119.

**Cause:** The public hearing was late due to a District administrative oversight.

**Hillsborough City School District**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2023

---

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

**Corrective Action Plan:** The District agrees with the auditor's recommendation and management has updated procedures in 2023-24 to ensure the public hearing and sufficiency of instructional materials complies with Ed Code 60119.

**Hillsborough City School District**  
Schedule of Prior Year Findings and Recommendations  
For the Fiscal Year Ended June 30, 2023

---

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - State Award Findings and Questioned Costs**

None

## APPENDIX C

### GENERAL INFORMATION ABOUT THE TOWN OF HILLSBOROUGH AND SAN MATEO COUNTY

*The Bonds are not a debt of the Town of Hillsborough (the “City”) or San Mateo County (the “County”). The County, including its Board of Trustees, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on (and the Accreted Value of, as applicable) the Bonds at the time such payment is due.*

#### General Information

**The Town.** The Town of Hillsborough (the “Town”) is a residential community located in the County approximately 20 miles south of the City of San Francisco. It is west of Highway 101 and El Camino Real and east of Highway 280, within a short commute to San Francisco and minutes to the San Francisco International Airport.

**The County.** The County of San Mateo (the “County”) is located directly south of the City and County of San Francisco and north of the County of Santa Cruz on the California Coast and the County of Santa Clara along the San Francisco Bay. The County is a major employment base, and is also accessible to the San Jose and Silicon Valley areas approximately 30 miles south via Interstate 280 or U.S. Highway 101. The County has an approximate total area of 741 square miles, of which 448 square miles is land and 293 square miles is water. It is the third-smallest county in California by land area.

#### Population

The following sets forth the Town, the County and the State population estimates as of January 1 for the years 2020 to 2024.

#### TOWN OF HILLSBOROUGH, COUNTY OF SAN MATEO AND STATE OF CALIFORNIA Population Estimates As of January 1

<u>Year</u>	<u>Town of Hillsborough</u>	<u>County of San Mateo</u>	<u>State of California</u>
2020	11,373	764,442	39,538,223
2021	11,270	756,636	39,327,868
2022	11,062	742,051	39,114,785
2023	11,137	745,302	39,061,058
2024	11,116	741,565	39,128,162

*Source: California State Department of Finance estimates.*

## Employment and Industry

The Town is included in the San Francisco-Redwood City-South San Francisco Metropolitan Division (“MD”), which includes all of the County as well as San Francisco County. The unemployment rate in the San Francisco-Redwood City-South San Francisco MD was 3.9 percent in July 2024, up from a revised 3.6 percent in June 2024, and above the year-ago estimate of 3.3 percent. This compares with an unadjusted unemployment rate of 5.8 percent for California and 4.5 percent for the nation during the same period. The unemployment rate was 3.9 percent in San Francisco County, and 3.8 percent in San Mateo County.

The following table summarizes the civilian labor force, employment and unemployment in the San Francisco-Redwood City-South San Francisco MD for the calendar years 2019 through 2023. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the Town.

### SAN FRANCISCO-REDWOOD CITY-SOUTH SAN FRANCISCO METROPOLITAN DIVISION (SAN FRANCISCO AND SAN MATEO COUNTIES) Civilian Labor Force, Employment and Unemployment, Unemployment by Industry (Annual Averages)

	2019	2020	2021	2022	2023
Civilian Labor Force <sup>(1)</sup>	1,036,400	997,600	979,800	1,017,100	1,008,700
Employment	1,014,100	923,000	932,000	991,300	976,800
Unemployment	22,300	74,700	47,800	25,800	31,900
Unemployment Rate	2.2%	7.5%	4.9%	2.5%	3.2%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	1,700	1,600	1,700	1,800	1,700
Mining and Logging	100	100	100	100	100
Construction	44,400	42,600	41,100	40,600	40,900
Manufacturing	40,800	37,500	36,900	37,600	35,700
Wholesale Trade	24,600	21,800	21,700	22,900	23,700
Retail Trade	79,200	67,800	66,400	66,600	64,400
Transportation, Warehousing, Utilities	51,200	46,100	45,500	45,700	43,200
Information	99,600	107,400	115,500	127,800	117,600
Finance and Insurance	60,100	59,900	61,300	63,500	60,500
Real Estate and Rental and Leasing	23,800	21,000	20,700	21,800	21,300
Professional and Business Services	296,800	285,800	288,300	309,700	299,600
Educational and Health Services	146,100	142,100	145,900	151,300	156,600
Leisure and Hospitality	144,600	87,200	89,900	114,900	124,200
Other Services	41,500	32,500	33,700	37,700	38,300
Federal Government	16,600	17,000	16,300	15,300	14,200
State Government	37,900	38,300	42,400	48,400	50,200
Local Government	77,100	73,300	72,600	73,100	74,800
Total, All Industries <sup>(3)</sup>	1,185,900	1,081,900	1,100,100	1,178,900	1,166,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of August 2024, in alphabetical order.

### SAN MATEO COUNTY Largest Employers August 2024

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
1 Tower Place SSF	South San Francisco	Real Estate
Bart Station-Daly City	Daly City	Transit Lines
Box Inc	Redwood City	Prepackaged Software
Electric Charging Station	Menlo Park	Research Service
Electronic Arts Inc	Redwood City	Game Designers (mfrs)
Fisher Investments	San Mateo	Investment Management
Fisher Investments	Woodside	Investments
Forced Dump Debris Box Svc	Burlingame	Garbage Collection
Franklin Resources Inc	San Mateo	Asset Management
Genentech Inc	South San Francisco	Biotechnology Products & Services
Gilead Sciences Inc	Foster City	Biological Products (mfrs)
Kaiser Permanente Redwood City	Redwood City	Hospitals
Kaiser Permanente South Sn	South San Francisco	Hospitals
Lsa Global	Redwood City	Training Consultants
Menlo Park VA Medical Ctr	Menlo Park	Hospitals
Meta Platforms Inc	Menlo Park	Social Media & Blogs
Mills-Peninsula Medical Ctr	Burlingame	Hospitals
Plateau Systems	San Mateo	Software/Application/Platform Publishing
San Francisco Intl Airport-Sfo	San Francisco	Airports
San Mateo County Behavior	San Mateo	Government Offices-County
San Mateo County Tax Collector	Redwood City	Tax Return Preparation & Filing
San Mateo Medical Ctr	San Mateo	Hospitals
SRI International	Menlo Park	Engineers-Research
Visa Inc	Foster City	Credit Card & Other Credit Plans
Youtube LLC	San Bruno	Online Services

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 2<sup>nd</sup> edition.*

## Commercial Activity

Total taxable sales during the first quarter of calendar year 2024 in the City were reported to be \$1,896,932, a 16.92% increase from the total taxable sales of \$1,622,414 reported during the first quarter of calendar year 2023.

**TOWN OF HILLSBOROUGH**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2019 through 2023**  
**(Dollars in Thousands)<sup>(1)</sup>**

Year	Retail Stores		Total Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	96	\$1,639	185	\$9,428
2020	100	4,306	196	8,948
2021	79	5,100	157	12,655
2022	78	4,059	154	11,324
2023	69	1,606	143	9,398

(1) The Town of Hillsborough has no commercial stores, and permits and taxable transactions may include home-based businesses.

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter of calendar year 2024 in the County were reported to be \$4,968,910,761, a 0.26% increase from the total taxable sales of \$4,955,973,035 reported during the first quarter of calendar year 2023.

**SAN MATEO COUNTY**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2019 through 2023**  
**(Dollars in Thousands)**

Year	Retail Stores		Total Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	12,817	\$11,989,035	22,908	\$18,168,258
2020	13,350	10,542,136	23,985	15,940,068
2021	11,947	12,709,017	21,396	19,494,222
2022	11,838	13,969,703	21,402	21,851,586
2023	11,283	13,910,862	20,444	22,001,414

Source: State Department of Tax and Fee Administration.



## Construction Trends

Provided below are the building permits and valuations for the City and the County for calendar years 2019 through 2023.

### TOWN OF HILLSBOROUGH Total Building Permit Valuations Calendar Years 2019 through 2023 (dollars in thousands)

	2019	2020	2021	2022	2023
<u>Permit Valuation</u>					
New Single-family	\$14,306.2	\$16,443.7	\$32,372.4	\$27,351.3	\$14,074.4
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>24,515.0</u>	<u>19,766.0</u>	<u>25,087.7</u>	<u>21,459.8</u>	<u>20,120.9</u>
Total Residential	38,821.2	36,209.7	57,460.1	48,811.1	34,195.3
New Commercial	343.8	0.0	150.0	76.3	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	664.8	1,362.1	1,087.5	1,482.2	574.5
Com. Alterations/Additions	<u>687.0</u>	<u>185.5</u>	<u>27.0</u>	<u>250.0</u>	<u>0.0</u>
Total Nonresidential	1,695.6	1,547.6	1,264.5	1,808.5	574.5
<u>New Dwelling Units</u>					
Single Family	19	28	60	62	53
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	19	28	60	62	53

Source: Construction Industry Research Board, Building Permit Summary.

### SAN MATEO COUNTY Total Building Permit Valuations Calendar Years 2019 through 2023 (dollars in thousands)

	2019	2020	2021	2022	2023
<u>Permit Valuation</u>					
New Single-family	\$486,257.4	\$273,328.3	\$371,580.0	\$366,238.1	\$397,697.8
New Multi-family	322,896.6	154,590.5	223,839.7	439,433.6	282,471.4
Res. Alterations/Additions	<u>365,784.7</u>	<u>310,315.5</u>	<u>282,684.2</u>	<u>388,008.9</u>	<u>394,621.7</u>
Total Residential	1,174,938.7	738,234.3	878,103.9	1,193,680.6	1,074,790.9
New Commercial	737,402.4	391,778.1	305,651.8	1,108.9	716,995.2
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	63,741.5	64,772.4	149,595.8	162,712.7	303,808.1
Com. Alterations/Additions	<u>618,727.3</u>	<u>923,425.0</u>	<u>534,973.7</u>	<u>972,199.4</u>	<u>1,165,954.7</u>
Total Nonresidential	1,419,871.2	1,379,975.5	990,221.3	1,136,021.0	2,186,758.0
<u>New Dwelling Units</u>					
Single Family	497	548	657	645	681
Multiple Family	<u>1,049</u>	<u>439</u>	<u>638</u>	<u>2,067</u>	<u>1,085</u>
TOTAL	1,546	987	1,285	2,712	1,766

Source: Construction Industry Research Board, Building Permit Summary.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median effective buying income for the City, the County, the State and the United States for the period 2020 through 2024.

**TOWN OF HILLSBOROUGH, SAN MATEO COUNTY,  
STATE OF CALIFORNIA AND UNITED STATES  
Effective Buying Income  
As of January 1, 2020 through 2024**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000’s Omitted)</u>	<u>Median Household Effective Buying Income</u>
2020	Town of Hillsborough	\$1,010,642	\$227,564
	San Mateo County	40,511,605	96,614
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Town of Hillsborough	\$1,072,261	\$272,166
	San Mateo County	43,397,132	102,641
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	Town of Hillsborough	\$1,108,981	\$293,666
	San Mateo County	48,351,364	120,425
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	Town of Hillsborough	\$1,018,067	\$287,195
	San Mateo County	46,729,979	123,273
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	Town of Hillsborough	\$974,321	\$284,144
	San Mateo County	44,702,740	119,658
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Claritas, LLC.

**APPENDIX D**

**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL**

*Form of Opinion for New Money Bonds*

**LETTERHEAD OF JONES HALL, A PROFESSIONAL LAW CORPORATION**

[Date of Delivery]

Board of Trustees  
Hillsborough City School District  
300 El Cerrito Avenue  
Hillsborough, California 94010

**OPINION:** \$\_\_\_\_\_ Hillsborough City School District  
(San Mateo County, California)  
General Obligation Bonds  
Election of 2022, Series B \_\_\_\_\_

Ladies and Gentlemen:

We have acted as bond counsel to the Hillsborough City School District (the "District") in connection with the issuance by the District of its Hillsborough City School District (San Mateo County, California) General Obligation Bonds, Election of 2022, Series B Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"), under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and a resolution of the Board of Trustees of the District (the "Board") adopted on September 10, 2024 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a school district with the power to enter into the Resolution, to issue the Bonds and to perform its obligations under the Resolution.
2. The Resolution has been duly approved by the Board and constitutes a valid and binding obligation of the District.

3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District, enforceable in accordance with their terms and with the provisions of the Resolution.

4. The Board of Supervisors of San Mateo County is required under the laws of the State of California to levy an *ad valorem* tax upon the property in the District, unlimited as to rate or amount, for the payment of principal and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

**Form of Opinion for Refunding Bonds**

**LETTERHEAD OF JONES HALL, A PROFESSIONAL LAW CORPORATION**

[Date of Delivery]

Board of Trustees  
Hillsborough City School District  
300 El Cerrito Avenue  
Hillsborough, California 94010

**OPINION:** \$\_\_\_\_\_ Hillsborough City School District  
(San Mateo County, California)  
2024 Refunding General Obligation Bonds

Ladies and Gentlemen:

We have acted as bond counsel to the Hillsborough City School District (the "District") in connection with the issuance by the District of its Hillsborough City School District (San Mateo County, California) 2024 Refunding General Obligation Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"), under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and a resolution of the Board of Trustees of the District (the "Board") adopted on September 10, 2024 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a school district with the power to enter into the Resolution, to issue the Bonds and to perform its obligations under the Resolution.
2. The Resolution has been duly approved by the Board and constitutes a valid and binding obligation of the District.
3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District, enforceable in accordance with their terms and with the provisions of the Resolution.
4. The Board of Supervisors of San Mateo County is required under the laws of the State of California to levy an *ad valorem* tax upon the property in the District, unlimited as to rate or amount, for the payment of principal and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
HILLSBOROUGH CITY SCHOOL DISTRICT  
(San Mateo County, California)  
General Obligation Bonds  
Election of 2022, Series B

\$ \_\_\_\_\_  
HILLSBOROUGH CITY SCHOOL DISTRICT  
(San Mateo County, California)  
2024 Refunding General Obligation Bonds

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Hillsborough City School District (the “**District**”) in connection with the issuance and delivery of the above-captioned bonds (together, the “**Bonds**”). The captioned Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on September 10, 2024 (the “**Resolution**”). The Bank of New York Mellon Trust Company, N.A. is initially acting as paying agent for the Bonds (the “**Paying Agent**”). The District hereby covenants and agrees as follows:

**Section 1. Purpose of this Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**Section 2. Definitions.** In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently March 31).

“*Dissemination Agent*” means, initially, Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Paying Agent*” means The Bank of New York Mellon Trust Company, N.A., agent for the San Mateo County Treasurer-Tax Collector, San Francisco, California or any successor thereto.

“*Participating Underwriter*” means the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **Section 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2025 with the report for the 2023-24 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) notice to the MSRB, in an electronic format in a form as prescribed by the MSRB, , with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.



**Section 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the District shall include in its Annual Report the following information:

- (i) total assessed valuation of taxable properties in the District;
- (ii) total secured property tax levies and delinquencies for the District, but only if *ad valorem* taxes for general obligation bonds are not collected on the County's Teeter Plan and such information is available from the County at the time of filing the Annual Report; and
- (iii) in addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.**

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices

of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.
- (15) Incurrence of a financial obligation (defined in subparagraph (e) below) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (a)(16), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

**Section 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

**Section 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 12. Duties, Immunities and Liabilities of Dissemination Agent.**

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information

provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

**Section 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2024

**HILLSBOROUGH CITY SCHOOL DISTRICT**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this APPENDIX. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (in this APPENDIX, the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting



rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX G**

**SAN MATEO COUNTY INVESTMENT POOL  
INVESTMENT POLICY AND INVESTMENT REPORT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

# SAN MATEO COUNTY

## **Investment Policy Statement**

Calendar Year 2024

*Approved by the  
San Mateo County Board of Supervisors  
Updated Date: February 27, 2024  
Resolution: 080214*

# Table of Contents

I.	Introduction .....	1
II.	Delegation of Authority .....	1
III.	Policy Statement .....	1
IV.	Standard of Care .....	1
V.	Investment Objectives .....	2
	A. Safety of Principal .....	2
	B. Liquidity .....	3
	C. Yield .....	3
	D. Socially Responsible Investment Objectives .....	3
VI.	Management Style and Strategy .....	3
VII.	Authorized Investments .....	4
	A. U.S. Treasury Securities .....	4
	B. U.S. Government Agency/GSE .....	4
	C. Commercial Paper .....	4
	D. Negotiable Certificates of Deposit .....	5
	E. Bankers Acceptance .....	5
	F. Collateralized Time Deposits .....	5
	G. Mortgage Backed Securities and Asset Backed Securities .....	5
	H. Corporate Securities .....	6
	I. US Instrumentalities .....	6
	J. CA Municipal Obligations .....	7
	K. Repurchase Agreements .....	7
	L. Local Agency Investment Fund (LAIF) .....	7
	M. Mutual Funds .....	8
	N. Local Government Investment Pools (LGIPs) .....	8
VIII.	Security Lending .....	8
	A. Borrowers Default Risk .....	9
	B. Collateral Investment Risk .....	9
	C. Operational Risk .....	9
	Schedule 1 – Securities Lending .....	9
IX.	Community Reinvestment Act Program .....	10

X.	Diversification and Maturity Restrictions .....	10
XI.	Average Life .....	12
XII.	Prohibited Transactions .....	13
XIII.	Method of Accounting .....	13
XIV.	Safekeeping .....	14
XV.	Performance Evaluation .....	14
XVI.	Withdrawal Requests .....	15
XVII.	Internal Controls .....	16
	A. Investment Authority and Responsibility .....	16
	B. County Treasury Oversight Committee .....	16
	C. Reporting .....	17
	D. Annual Audit of Compliance .....	17
	E. Pool Rating .....	17
	F. Compliance Review .....	17
	G. Loss Control .....	18
	H. Credit Quality. ....	18
	I. Approved Brokers .....	18
	J. Transaction Settlement .....	18
	K. Internal Controls .....	19
XVIII.	Execution of Investment Authority .....	19
XIX.	Disaster Recovery .....	21
XX.	Ethics and Conflict of Interest .....	21
XXI.	Limits on Honoraria, Gifts and Gratuities .....	21
	Comparison and Interpretation of Credit Ratings .....	22
	Glossary of Terms .....	24

SAN MATEO COUNTY  
**Investment Policy Statement**

Calendar Year 2024

**I. Introduction**

It is the policy of the San Mateo County Treasurer, consistent with controlling legal mandates, to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants, achieving a competitive yield while conforming to all applicable statutes and resolutions governing the investment of public funds. Moreover, while complying with these legal mandates, the Treasurer will also promote investments in authorized issuers that display adherence to strong environmental, social, and governance principles.

To meet liquidity and long-term investing needs, the County has established the County Investment Pool. This fund is suitable for planned expenditures or capital funds.

**II. Delegation of Authority**

By Resolution 080214, approved on February 27, 2024 the County Board of Supervisors has delegated to the Treasurer authority to invest and reinvest the funds of the County and other depositors as specified in California Government Code Sections §27000.1 and §53607 for the period calendar year 2024. The Treasurer may delegate investment authority to whoever has been retained to perform the investment function.

**III. Policy Statement**

This Investment Policy establishes cash management and investment guidelines for the Treasurer, and those to whom he/she delegates investment authority, who are responsible for the stewardship of the San Mateo County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be monitored and judged by the standards of this Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to policy.

The Treasurer will annually render to the Board of Supervisors and any Oversight Committee a statement of investment policy, which the Board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the Board at a public meeting.

**IV. Standard of Care**

The Treasurer is a fiduciary of the pooled investment fund and therefore subject to the prudent investor standard. The Treasurer, employees involved in the investment process and



members of the San Mateo County Treasury Oversight Committee shall refrain from all personal business activities that could conflict with the management of the investment program.

All individuals involved will be required to report all gifts and income in accordance with California state law. (See Section XXI)

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Treasurer, and those to whom he/she delegates investment authority, shall act with due professional care, skill, prudence and diligence taking into consideration circumstances then prevailing, including, but limited to, general economic conditions and anticipated needs of the County and other depositors. This should be accomplished with the care that a prudent person acting in a like capacity would use to safeguard the principal and maintain the liquidity needs of the County and other depositors.

As outlined in California Government Code Section §27000.3, the standard of prudence to be used by the County investment officers shall be the “prudent investor” standard and shall be applied in the context of managing the portfolio. Investment officers shall act in accordance with written procedures and the investment policy, exercise due diligence, report in a timely fashion, and implement appropriate controls for adverse development.

## V. Investment Objectives

The San Mateo County Investment Pool shall be prudently invested in order to preserve principal while earning a reasonable rate of return while awaiting application for governmental purposes. Investments should be made with precision and care considering the safety of the principal investment, as well as the income to be derived from the investment. The specific objectives for the program are ranked in order of importance:

- A. Safety of Principal** - The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

Credit Risk - Defined as an issuer(s) ability and willingness to repay interest and principal. Credit risk shall be minimized by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants. Credit rating evaluations for all securities are monitored on a consistent basis.

Market Risk - Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities; market risk will be minimized by establishing the maximum Weighted Average Maturity of the pool at three years. The maximum allowable maturity for any instrument in the pool at time of purchase is 7 years (Treasuries and Agencies only). Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

**B. Liquidity**

The Treasurer's Office attempts to match maturities with its 12-month projected cash flow. The nature of the planning process behind the cash flow of the pool is relatively predictable and less volatile than is the case of discretionary money.

This allows leeway for some of the underlying investments in the County Pool to maintain a somewhat longer duration.

**C. Yield**

The County Pool is designed as an income fund to maximize the return on investable funds over various market cycles, consistent with the pool's first priority of safeguarding principal. Yield will be considered only after the basic requirements of safety and liquidity have been met. The County Pool is managed as an income fund whose purpose is to provide its investors with a reasonably predictable level of income, as opposed to a growth fund or fund measured on the basis of total return.

**D. Socially Responsible Investment Objectives**

In addition to and while complying with California Government Code provisions that regulate the investment of public funds (which require that, when managing and investing public funds, the objectives shall be, primarily, to safeguard principal of invested funds; secondarily, to meet the liquidity needs of the local government; and third, to achieve a return on invested funds), the County Treasurer recognizes the importance of socially responsible investing. The Treasurer will consider and promote investment in authorized issuers that display adherence to strong environmental, social and governance (ESG) principles, including but not limited to, environmental sustainability, social and economic justice, and good corporate governance. The Treasurer will forego investments in fossil fuel issuers if able to do so while complying with all legal and fiduciary mandates, including with respect to safety of principal, liquidity, and return on invested funds. The Treasurer will seek to invest in a socially responsible manner by considering investments in corporate issuers that meet designated risk score thresholds, as provided by an independent organization or organizations that supply analytical research, ratings, and data to institutional investors regarding issuers' environmental, social and governance (ESG) practices. Issuers will be reviewed and confirmed against these thresholds on a periodic basis, and any investments in issuers that fall below designated thresholds may be sold or held to maturity.

**VI. Management Style and Strategy**

This policy describes the County's strategic investment objective, risk tolerance and investment constraints. The County Treasurer or designee, at the Treasurer's discretion, prepares an economic outlook and evaluates the capital markets environment. The investment

programs reflect a common strategy that is based on conservative principles of fixed income portfolio management consistently applied in a disciplined fashion.

## **VII. Authorized Investments**

Subject to the limitations set forth in California Government Code §53600 et seq. which may be amended from time to time, the Treasurer may invest in the following instruments, subject to the limits described in the following sections. Long-term credit ratings, where shown, specify the minimum credit rating category required at time of purchase. As noted previously, all securities purchased shall be regularly monitored and re-evaluated should their ratings be downgraded below the minimum investment grade level required of the Pool. The Treasury Oversight Committee will be notified, within 10 days of any security downgrades that fall below the pool's investment standards and the course of action to be taken if any. In addition, the information will be posted on the Treasurer's website within the same time frame. Decisions regarding the holding of, or the potential sale of, securities are based on factors such as remaining time to maturity and the need for liquidity in the Pool.

Where a percentage limitation of eligible security percentages and maximum maturity is established, for the purpose of determining investment compliance, that maximum amount will be applied on the date of trade settlement. Therefore, depending on the liquidation of other securities and the performance of other securities in the pool, the percentage of the pool of any given security or instrument could exceed the initial percentage limitations without violating the Investment Policy.

### **A. U.S. Treasury Securities**

United States Treasury bills, notes, bond or certificates of indebtedness, for which the full faith and credit of the United States is pledged for the payment of principal and interest. The maximum maturity of U.S. Treasury Securities is 7 years.

### **B. U.S. Government Agency/GSE (Government Sponsored Enterprise)**

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government sponsored enterprise. The maximum percent of the fund per issuer is 40%. The maximum percent of the fund for U.S. Agencies Callables Securities is 25%. U.S. Government Agency/GSE securities must be rated in a rating category of "AA," long-term, or "A-1," Short-term, or their equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). The maximum maturity for Agency Securities is 7 years.

### **C. Commercial Paper**

At the time of purchase, commercial paper must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Eligibility is limited to U.S. organized and operating corporations. Corporations must have assets in excess of \$5 Billion and have debt other than commercial paper, if any, that is rated in a rating category of "A" or

its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Maturities may not exceed 270 days. Purchases of commercial paper will not exceed 40% of the pool's investable money.

#### **D. Negotiable Certificates of Deposit**

Negotiable certificates are negotiable money market instruments that trade on the open market. At the time of purchase, negotiable certificates of deposit must be rated in a rating category of "A," long-term, or "A-1"/"P-1"/"F1, short-term," or their equivalents or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). These certificates must be issued by a U.S. National or State chartered bank or state or federal association (as defined by section 5102 of the California Financial Code) or by a state licensed branch of a foreign bank. Eligible foreign banks must have branches or agencies in the U.S. Issuers must be a corporation with total assets in excess of \$5 Billion. Purchases of Negotiable Certificates of Deposit will not exceed 30% of the pool.

#### **E. Bankers Acceptance**

A Bankers Acceptance (BA) is a draft drawn and accepted by banks that is based upon funds that will pay its face value at maturity. The security is normally traded at a discounted price. Because the accepting institution is obligated to pay for the bill, a Bankers Acceptance is considered less risky than commercial paper.

At the time of purchase, BAs must be rated A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). BAs are primarily used to finance international trade. BAs are timed drafts (bills of exchange) drawn on and accepted by a commercial bank. Issuers must be a corporation with total assets in excess of \$5 Billion. Purchases of Bankers Acceptances will not exceed 15% of the pool for domestic commercial banks and 15% of the pool for foreign commercial banks.

#### **F. Collateralized Time Deposits**

Collateralized Certificates of Deposit must comply with Bank Deposit Law. Purchases of Collateralized Certificates of Deposit will not exceed 15% of the pool.

#### **G. Mortgage Backed Securities and Asset Backed Securities**

##### **A. Mortgage Backed Securities**

The securities must be rated in a rating category of "AA" or its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Mortgage Backed Securities and Asset Backed Securities will not exceed 20% of the pool.

The allowable types of Mortgage Backed Securities include the following:

1. U.S. Government Agency Mortgage pass-through securities.
2. Collateralized Mortgage Obligations (CMO) where the underlying mortgages have U.S. government backing.

### **B. Asset Backed Securities**

The securities must be rated “AAA” or its equivalent by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Asset Backed Securities and Mortgage backed Securities will not exceed 20% of the pool.

The allowable types of Asset Backed Securities include the following:

1. Equipment lease back certificates.
2. Consumer receivable backed bonds.
3. Auto loan receivable backed bonds.

## **H. Corporate Securities**

The maximum maturity for corporate securities is five years. Eligible securities shall be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. At the time of purchase, corporate securities must be rated in a rating category of “A” or its equivalent or better by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Securities in this classification must be dollar denominated. If a security is owned and downgraded below the pool’s investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool’s investment standards and the course of action to be taken if any. In addition, the information will be posted on the Treasurer’s website within the same time frame.

Purchases of Corporate Securities shall not exceed 30% of the pool. The amount invested in corporate securities in the “A” rating category may not exceed 27% of the pool (90% of the 30% permitted corporate allocation). For purposes of determining compliance with this requirement, a security’s rating will be determined by its highest rating by either S&P, Moody’s, or Fitch. There is a 5% limitation of the fund in any single issuer of Money Market/Corporate Securities, however, the Pool has a target of holding no more than 3%. The 3% target may be exceeded under exceptional circumstances (i.e.: peak tax collection periods, G.O. Bond issuances, etc.) when there is a large influx of cash.

## **I. US Instrumentalities**

United States dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American

Development Bank, with a maximum maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category “AA” or its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Purchases of US Instrumentalities are not to exceed 30% of the pool.

#### **J. CA Municipal Obligations**

Registered state warrants or municipal notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. Investments under this subdivision shall be rated in a rating category “AA” or its equivalent or higher by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). Such investments shall have a maximum security of five years or less, and shall not exceed 30% of the pool, 5% per issuer. The foregoing investments shall be limited to the General Obligation (GO) bonds, Tax & Revenue Anticipation Notes (TRANS), or other debt, which is issued by the state of California, the University of California Regents or the California State University Regents.

#### **K. Repurchase Agreements**

Repurchase Agreements must be executed with dealers with whom the County has written agreements and are either banking institutions that meet the rating requirements of this policy or dealers who report to the Market Reports Division of the Federal Reserve Bank of N.Y. (Primary Dealers). All transactions must be collateralized at 102% of current value plus accrued interest and must be marked to market daily. The only acceptable collateral for these transactions include Treasuries or Agencies with a maximum maturity of seven years.

For purposes of this authorized investments section, the term “Repurchase Agreement” means a purchase of a security by the County pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified dollar amount and will deliver the underlying securities to the County by book entry. All County pool transactions are conducted through the County custodian on a payment vs. delivery basis. When the transaction is unwound, the transfer of the underlying securities will revert to the counter party’s bank account by book entry. The term “Counter party” means the other party to the transaction with the County. The Counter Party, or its parent, must have a short-term rating of “A-1,” “P-1,” or “F1” by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). The maximum allowable term of a repurchase agreement shall not exceed 92 days.

#### **L. Local Agency Investment Fund (LAIF)**

The Local Agency Investment Fund (LAIF) is an investment fund run by the Treasurer of the State of California to pool local agency monies. LAIF will be used

as a comparative fund to the County's pool. The maximum percent of the fund that can be invested is up to the current State limit.

**M. Mutual Funds**

Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601. Purchases of Mutual Funds will not exceed 20% of the pool, 10% per mutual fund.

**N. Local Government Investment Pools (LGIPs)**

Shares of beneficial interest issued by a joint power's authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized by the Government Code. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. Purchases are limited to LGIPs that seek to maintain a stable share price and will not exceed 20% of the pool, 10% per LGIP.

**VIII. Security Lending**

Security Lending is a temporary exchange of portfolio assets for acceptable collateral between a lender and an approved borrower. The additional income generated from this transaction can be used to enhance portfolio performance. This process can be summarized in three key steps:

- A.** The Security Lending agent lends securities from our portfolio to an approved borrower at a negotiated rate. The negotiated rate is dependent upon the level of demand for the securities.
- B.** The Security Lending agent invests the cash collateral in highly liquid, short duration, high credit quality instruments approved by our investment policy.
- C.** The earnings generated net of rebates from these transactions are split between the third party agent and the County based on the contract agreement.

Our contract with The Bank of New York requires daily reporting of the securities borrowed, the borrowers, and the short term investments made with the collateral. The County retains the right to recall securities at any given time; cutoffs are 9:30 a.m. eastern standard time for same day recalls of treasuries/agencies and 1:30 p.m. eastern standard time on trade date for corporates. We also require acknowledgement of the County Investment Policy, and check the adherence to that policy daily.

All securities purchased with any funds received as a result of such lending shall be regularly monitored and re-evaluated. Should their ratings fall below the pool's investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool's investment standards and the course of action if any. In addition, the information will be posted on the Treasurer's website within the same time frame.

Additionally, the percentage of the Fund's market value in any one issuer's securities shall be regularly monitored and the Treasury Oversight Committee will be notified within 10 days, and the information posted on the Treasurer's website, of any instances where the percentage of the Fund's market value in any one issuer's securities exceeds the percentage limitations set forth herein or where there is any change in diversification and the course of action, if any.

There are always risks in any financial transaction. The three most common risks in Security Lending are as follows:

- A. Borrower Default Risk – Although rare, a borrower may not return a security in a timely manner. To protect against this risk, we require 102% cash collateral, which is marked to market and monitored daily. In the event of borrower default, the Security Lending agent is responsible for replacing the securities or providing the cash value of the securities. In other words, The Bank of New York indemnifies the County of San Mateo against borrower default.
- B. Collateral Investment Risk – The value of the securities in which we invest the cash collateral may decline due to fluctuations in interest rates or other market related events. This risk is controlled by investing in a huge investment pool with highly liquid short duration, high credit quality instruments identified in this investment policy.
- C. Operational Risks – Critical operations, such as maintaining the value of the collateral, collecting interest and dividend payments are essential to a smooth running Security Lending operation. Operational risks are the responsibility of the Security Lending agent. We further mitigate this risk by reviewing all transactions and collateral requirements on a daily basis.

### Schedule 1 – Securities Lending

#### Securities Loans

- No more than 5% of the Pool can be on loan to any single counterparty.
- A single loan shall not exceed 3% of the total portfolio.
- The maximum maturity of a securities loan shall not exceed 92 days.

#### Collateral

##### Acceptable Collateral

U.S. Treasuries and Agencies and cash.

##### Collateral Investment

The only authorized investments are shown in the following table. No floating or reset notes are permitted.

“Fund” means actual market value of all securities lending collateral.

INSTRUMENT	RATING	LIMITATIONS		
		% of Fund	% of Fund per Issuer	Maturity
U.S. Treasury Obligations		100	100%	1 year



INSTRUMENT	RATING	-	LIMITATIONS	
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100	40% per issuer	1 year
Repurchase agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100	50%	overnight
Bankers Acceptances Domestic	A-1 / P-1 / F1	15	5% Aggregate	180 days
Foreign		15	5% Aggregate	180 days
Commercial paper	A-1 / P-1 / F1	40	5% Aggregate	270 days or less

## **Other**

### Agent Qualifications

The only acceptable Agent is the Pool's custodian bank.

### Contract Provisions

The Agent must indemnify the Pool against borrower default.

The Agent must acknowledge and accept the Policy in writing. A copy of this acceptance will be attached to future policies.

The Agent must submit monthly reports showing securities out on loan (terms and borrowers), defaults, earnings, and the percent by sector of Pool assets out on loan as well as information on the collateral investments (including market values, income and realized and unrealized gains and losses).

### Oversight

The Treasurer shall include copies of the Agent's most recent report with their reports to the Treasury Oversight Committee.

## **IX. Community Reinvestment Act Program**

A. This policy sets aside up to \$5 million dollars for investment in banks whose primary operations are located in San Mateo County. Investments from this fund must meet the requirements of this investment policy. Eligible banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with a custodial bank.

## **X. Diversification and Maturity Restrictions**

It is the policy of the Treasurer to diversify the Fund's portfolios. Investments are diversified to minimize the risk of loss resulting in over-concentration of assets in a specific

maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and whoever has been retained to perform the investment function.

<b>Instrument</b>	<b>Min. Rating Category</b>	<b>% of Fund</b>	<b>Limitations % of Fund per Issuer</b>	<b>Maturity</b>
U.S. Treasury Obligations		100%	100%	7 years
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100%	40%	7 years
U.S. Agencies Callables	AA		25%	7 years
Commercial paper (two agencies)	A-1/P-1/F1	40%	5% Aggregate	270 days or less
Negotiable Certificates of Deposit (\$5 billion minimum assets) (two agencies)	A-1/P-1/F1	30%	5% Aggregate	5 years
Bankers Acceptances *Domestic: (\$5 billion minimum assets) *Foreign: (\$5 billion minimum assets) (two agencies)	A-1 / P-1/ F1	15% 15%	5% Aggregate 5% Aggregate	180 days 180 days
Collateralized Time Deposits within the state of CALIFORNIA	A-1/P-1/ F1	15%	5% Aggregate	1 year
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	AA		5% Aggregate	5 Years
Asset Backed Securities	AAA	20% Combined total	5% Aggregate	5 Years
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	A	30%  A maximum of 27% may be invested in	5% Aggregate	5 years

Instrument	Min. Rating Category	% of Fund	Limitations % of Fund per Issuer	Maturity
		A rated securities (90% of the 30% allocation)		
US Instrumentalities	AA	30%		5 Years
CA Municipal Obligations	AA	30%	5% Aggregate	5 Years
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100%	See limitations for Treasuries and Agencies above	92 days
Local Agency Investment Fund (LAIF)			Up to the current state limit	
Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601 (Mutual Funds)	Money Market AAAm	20%	10% per mutual fund	
Local Government Investment Pools (LGIPs)		20%	10% per LGIP	

## XI. Average Life

The maximum dollar-weighted average maturity of the fund will be 3 years. The focus of this fund is in order of priority: preservation of principal, liquidity and then yield. The policy of maintaining a maximum dollar-weighted maturity or weighted average maturity (WAM) of 3 years leaves open the flexibility to take advantage of interest rate trends to maximize the return on investment. The imposed maximum 3-year average maturity limits the market risk to levels appropriate to a short, intermediate-income fund. The word "Maturity" refers to the instrument's stated legal final redemption date - not coupon reset, put or call dates.

Securities purchased specifically to match the maturity of a bond issue and/or a contractual arrangement must be authorized by California Government Code §53601 and §53635 but are not included in the requirements listed above. Such securities shall be clearly designated in the appropriate investment journals and reports.

## **XII. Prohibited Transactions**

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy and California Government Code Sections §53601, §53601.1, §53601.2, §53601.6, and §53635, as may be amended from time to time. No investment prohibited by the California Government Code or other controlling provision of law shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy **at time of purchase** must be documented and approved by the Treasurer in writing. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

The Treasurer shall not leverage the County pool through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by this investment policy.

Security Lending is authorized by this policy and will be limited to a maximum of 20% of the portfolio.

### **The following transactions are prohibited:**

- A.** Borrowing for investment purposes (“Leverage”).
- B.** Inverse floaters, leveraged floaters, equity-linked securities, event-linked securities, structured investment vehicles (SIV).

Simple “floating rate notes” whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate or LIBOR) and which have a reasonable expectation of maintaining a value at par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips or other callable securities which otherwise meet quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

- C.** Derivatives (e.g. swaptions, spreads, straddles, caps, floors, collars, etc.) shall be prohibited.
- D.** Trading of options and futures are prohibited.

## **XIII. Method of Accounting:**

- A.** For earnings calculations, investments will be carried at original purchase cost (plus purchased accrued interest, if applicable). Premiums or discounts acquired in the purchase of securities will be amortized or accreted over the life of the respective securities. For GASB purposes, investments will be carried at cost and marked to market.

- B. Gains or losses from investment sales will be credited or charged to investment income at the time of sale. All interest income, gains/ losses are posted quarterly.
- C. Premiums paid for callable securities will be amortized to the 1<sup>st</sup> call date after purchase.
- D. Purchased accrued interest will be capitalized until the first interest payment is received. Upon receipt of the first interest payment, the funds will be used to reduce the investment to its principal cost with the remaining balance credited to investment income.
- E. Yield is calculated on an accrual basis using a 365-day calendar year. Earnings are calculated as follows:

$$\frac{(\text{Earnings}^* + \text{Capital Gains}) - (\text{Fees} + \text{Amortized Premiums} + \text{Capital Losses})}{\text{Average Daily Pool Balance}}$$

\* Earnings equal net interest payments + accrued interest + accreted discounts.

- F. The County Pool is operated as a single investment pool. Banking and reporting services required by a participant are charged directly to the participant. All participants are charged an administrative fee.
- G. The administrative fee is 9.5 basis points effective July 1, 2018, and will be evaluated annually.

The County Pool Administrative Fee is established annually and is effective July 1 through June 30. The fee is developed to align with the actual administrative cost of managing the pool. Due to variations in the pool size during the fiscal year (such as those caused by the influx of funds from unanticipated school bond issues or voluntary pool participant withdrawals), a true-up of fees collected will take place in the 4<sup>th</sup> quarter of each fiscal year.

#### **XIV. Safekeeping**

All deliverable security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a Delivery-versus-Payment basis (DVP).

All deliverable securities shall be held by a third-party custodian designated by the Treasurer. The third-party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity and other pertinent information.

#### **XV. Performance Evaluation**

The Treasurer shall submit monthly, quarterly and annual reports, in compliance with Government Code Sections §53607 and §53646 to the Treasury Oversight Committee, Pool participants and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and

shall be in compliance with Government Code. This includes the type of investments, name of the issuer, maturity date, and par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list the average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investments Fund's ability to meet the expected expenditure requirements for the next 6 months. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on the treasury for the County's Comprehensive Annual Financial Report.

## **XVI. Withdrawal Requests**

### **Voluntary Pool Participants**

- A.** Any request to withdraw funds shall be released at no more than 12.5% per month, based on the month-end balance of the prior month.
- B.** Current secured tax apportionments and property tax revenue distributed to Redevelopment Property Tax Trust Funds will be exempt from the 12.5% withdrawal rule, however, these apportionments must be withdrawn in the same month they are received or they will be subjected to the 12.5% withdrawal rule.
- C.** Any additional withdrawal requests will be considered on a case-by-case basis.
- D.** All requests for withdrawals must first be made in writing to the Treasurer, at a minimum, 24 hours in advance.

In accordance with California Government Code § 27136 et seq, and §27133 (h) et seq, these requests are subject to the Treasurer's consideration of the stability and predictability of the pooled investment fund, or the adverse effect on the interests of the other depositors in the pooled investment fund.

### **Schools**

- A.** Withdrawals of surplus funds by a school district for investment elsewhere will require a Resolution from the District Office requesting such withdrawal and specifying that funds are 'surplus.' Such requests must be made at a minimum 24 hours in advance.
- B.** A one-year dark period will exist for such withdrawals before funds can be re-deposited into the treasury by that school district. A Resolution from the District Office will be required to do so.
- C.** Any emergency situation that requires previously withdrawn school district funds be re-deposited into the treasury within that one-year period will require a Resolution from the District Office and Office of Education.
- D.** No Bond Proceeds may be withdrawn for investment outside of the pool (AB2738)

## **XVII. Internal Controls**

The County Treasurer shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. The County Treasurer shall also be responsible for ensuring that all investment transactions comply with the County's investment policy and the California Government Code.

The County Treasurer shall establish a process for daily, monthly, quarterly and annual review and monitoring of investment program activity.

Daily, the County Treasurer or authorized treasury personnel shall review the investment activity, as well as corresponding custodial and commercial bank balances and positions for compliance with the investment policy and guidelines. The County Controller's Office shall conduct an annual audit of the investment program's activities. It is to be conducted to determine compliance with the County's investment policy and the Government Code. The audit shall be conducted by staff with experience in auditing large, complex investment programs consistent with industry standards as promulgated by the Global Investment Performance Standards (GIPS) adopted by the CFA Institute Board of Governors.

### **A. Investment Authority and Responsibility**

The responsibility for conducting the County's investment program resides with the Treasurer, who supervises the investment program within the guidelines set forth in this policy. The Treasurer may delegate the authority for day-to-day investment activity to whoever has been retained to perform the investment function.

### **B. County Treasury Oversight Committee**

The Board of Supervisors, in consultation with the Treasurer, has established the County Treasury Oversight Committee pursuant to California Government Code § 27130 et seq. Members of the County Treasury Oversight Committee shall be selected pursuant to California Government Code §27131. The Treasury Oversight Committee will meet at least three times a year to evaluate general strategies and to monitor results and shall include in its discussions the economic outlook, portfolio diversification, maturity structure and potential risks to the County pool's funds. All actions taken by the Treasury Oversight Committee are governed by rules set out in § 27131 et seq. of the California Government Code.

Members of the County Treasury Oversight Committee must pay particular attention to California Government Code § 27132.1, § 27132.2, § 27132.3 and § 27132.4, which read as follows:

§ 27132.1 A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

§ 27132.2 A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

§ 27132.3 A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

§ 27132.4 Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (chapter 9 (commencing with section 54950) of Part 1 of Division 2 of Title 5).

### **C. Reporting**

The Treasurer will prepare a monthly report for the County pool participants and members of the County Treasury Oversight Committee stating, for each investment: the type of investment, name of the issuer, maturity date, par value of the investment, current market value and the securities S&P/Moody's rating. For the total pooled investment fund, the report will list average maturity, effective duration, cost, the current market value, net gains/losses and the sector and issuer concentrations. In addition, the report will break down distribution by maturities, coupon, duration and both S&P/Moody's ratings. The Treasurer shall prepare a monthly cash flow report which sets forth projections for revenue inflows, and interest earnings as compared to the projections for the operating and capital outflows of depositors. This projection shall be for a minimum of 12 months. All Reports will be available on the County Treasurer's website at [treasurer.smcgov.org](http://treasurer.smcgov.org)

### **D. Annual Audit of Compliance**

The County Treasury Oversight Committee shall cause an annual audit to be conducted of the portfolio, procedures, reports and operations related to the County pool in compliance with California Government Code § 27134.

### **E. Pool Rating**

The Pool strives to maintain the highest credit rating at all times. Annually, a contract may be requested for a rating from one of the three leading nationally recognized credit rating organizations (S&P, Moody's or Fitch).

### **F. Compliance Review**

The County will ensure a monthly compliance review of the County's portfolio holdings and provide a monthly written report which will:

1. Verify the accuracy of holdings information.
2. Provide summary-level information about the portfolio.
3. Verify compliance with California Government Code.
4. Verify compliance with the County's written Investment Policy.



5. List any exceptions or discrepancies identified.

### **G. Loss Control**

While this Investment Policy is based on “the Prudent Investor Rule”, the Treasurer shall seek to enhance total portfolio return by means of actively managing the portfolio. In any professionally managed portfolio, occasional controlled losses are inevitable and must be realized and judged within the context of overall portfolio performance. Losses shall be allocated as otherwise described in this policy in section XIII, entitled “Method of Accounting”.

### **H. Credit Quality**

Should any investment or financial institution represented in the portfolio, be downgraded by any of the major rating services to a rating below those established in this investment policy, the Treasurer must immediately make an informed decision as to the disposition of that asset and will so advise the County Treasury Oversight Committee. The situation will be monitored daily by the Treasurer until final disposition has been made.

### **I. Approved Brokers**

The Treasurer will maintain a current list of Approved Brokers and Dealers who may conduct business with the County. All financial institutions on the approved list will be evaluated individually, with preference given to primary dealers, who possess a strong capital and credit base appropriate to their operations. The Treasurer will forward a copy of the County Investment Policy to all approved brokers and require written acknowledgment of the policy from the broker.

No broker, brokerage, dealer or securities firm is allowed on the approved list if, within any consecutive 48-month period, they have made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local Treasurer, any member of the governing board of the local agency or any candidate for those offices.

If the County has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, brokers/dealers and financial institutions to conduct transactions on the County’s behalf.

### **J. Transaction Settlement**

Payment of settlement in a securities transaction will be against delivery only. A due bill or other substitution will not be acceptable. All securities purchased from the brokers/dealers must be held in safekeeping by the County’s safekeeping agent or designated third party.

## **K. Internal Controls**

The Treasurer has established a system of controls designed to prevent losses of pooled funds due to fraud, employee error, and misrepresentations by third parties, and unanticipated changes in financial markets or imprudent actions by employees of the County. The controls include:

1. Procedures for investment activity which includes separation of duties for transaction authority, accounting and operations and requires clear documentation of activity.
2. Custodial safekeeping as prescribed in California Government Code § 53601.
3. Independent audit, both external and internal.
4. Clear delegation of authority.
5. Written confirmations of all telephone transactions.
6. Establishment of written ethical standards and rules of behavior.

## **XVIII. Execution of Investment Authority**

**A.** All transactions are documented as to date, time and vendor, signed by the originator and include the following information:

1. Buy or sell
2. Specific description of security involved (CUSIP)
3. Settlement date
4. Price
5. The total amount of funds involved
6. On non-treasury or agency transactions a notation will be made on the transaction ticket of competitive bids and offers
7. Broker/dealer

**B.** Information in "A" must be provided to the Investment Specialist for the following purpose:

1. To contact the dealer to verify the information on the trade with the dealer's instructions. Any misunderstanding must be clarified prior to settlement.
2. To provide the County's custodian bank with the specifics of the pending transaction to assure a smooth settlement.
3. To compare with the daily custodian transaction report to assure there are no errors.
4. To generate the internal entries necessary for the movement of funds to complete the transaction.
5. To compare with the broker's confirmations when received.

- C.** At the end of each day, the Investment Specialist summarizes all of the current day transactions in a “Daily Cash Flow Report” available immediately the following morning. This report includes:
1. A summary of all the day’s investment transaction.
  2. A listing of the day’s incoming and outgoing wires.
  3. A listing of the day’s state automatics and other deposits received.
  4. If the pool has “Repos” out, the current earnings rate statement.
  5. An estimate of the total anticipated clearings for the day.
- D.** A best effort will be made to obtain a minimum of three prices from different brokers before executing a security transaction whenever possible. Exceptions will occur with Treasuries. In those cases the Bloomberg screen will be printed as close to the actual executed price as possible. In the case of money market, agencies or corporate securities, a best effort will be made to obtain differential bids and offers.
- E.** Repurchase Agreements All Repurchase Agreements with approved dealers will be governed by a Public Securities Association (PSA) agreement that has been approved in writing by the Treasurer.
- F.** Confirmations resulting from securities purchased or sold under a Repurchase Agreement shall state the exact and complete nomenclature of the underlying securities bought or sold, as well as the term structure (i.e. maturity) of the transaction.
- G.** Securities on loan and their corresponding investments under the County Security Lending Program must be monitored daily by the Investment Specialist to assure the County Treasurer or Designee has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.
- H.** The assets of the County shall be held in safekeeping by the County’s safekeeping agent, or secured through third-party custody and safekeeping procedures. A due bill or other substitution will not be acceptable.
- I.** Safekeeping procedures shall be reviewed annually by the Treasurer’s office and an external auditor. Surprise audits of safekeeping and custodial procedures must be conducted at least once a year.
- J.** Security Lending: The custodial bank may be authorized to lend out up to 20% of the portfolio within the guidelines of this policy. Guidelines for securities lending and the investment of collateral are attached to this policy as Schedule 1. Securities on loan must be monitored daily by the Treasurer’s office to assure that the Treasurer has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.

- K. Voluntary Participants** participating in the San Mateo County Pooled Fund meet the following requirements:
1. A public agency
  2. Domiciled in the County of San Mateo.
  3. Agree to abide by the approved San Mateo County Pooled Fund Investment Policy Statement.
  4. Acknowledge changes to the policy annually in writing and meet the minimum balance requirements (250K).
  5. In the event a participant's funds fall below \$250K the Treasurer has discretion to set aside that participant's funds in a separate account so that the participant does not run the risk of overdrafting their funds.

Effective 11/1/2018, acceptance of new voluntary participants was discontinued to decrease liquidity requirements.

- L.** Agencies whose jurisdiction includes San Mateo County, but are not domiciled in San Mateo County, may participate in the San Mateo County Pooled Fund with the approval of the Treasurer and the County Treasury Oversight Committee.

## **XIX. Disaster Recovery**

The San Mateo County Treasurer's Disaster Recovery Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Portable devices have been issued to key personnel for communicating between staff, banks and broker/dealers. The plan includes an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event investment staff is unable to invest the portfolio, the custodial bank will automatically sweep all un-invested cash into a collateralized account at the end of the business day. Union Bank is currently the pools bank.

Should this guarantee program not be extended, a collateralized account will be set up. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy.

## **XX. Ethics and Conflict of Interest**

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall complete and submit State of California Form 700, Statement of Economic Interests Disclosure annually.

## **XXI. Limits on Honoraria, Gifts and Gratuities**

In accordance with California Government Code Section 27133, this policy establishes limits for the Treasurer; individuals responsible for management of the portfolios; and members

of the Treasury Oversight Committee; select individual investment advisors and broker/dealers who conduct day-to-day investment trading activity.

Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual designated in a conflict of interest code may receive aggregate gifts, honoraria and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. Gifts from a single source are subject to a \$420 limit. Any violation must be reported to the State Fair Political Practices Commission.

## Comparison and Interpretation of Credit Ratings<sup>1</sup>

### Long Term Debt Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Best-Quality grade	Aaa	AAA	AAA
High-Quality Grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper Medium Grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Speculative Grade	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
Low Grade	B1	B+	B+
	B2	B	B
	B3	B-	B-
Poor Grade to Default	Caa	CCC+	CCC
In Poor Standing	-	CCC	-
	-	CCC-	-
Highly Speculative Default	Ca	CC	CC
	C	-	-
Default	-	-	DDD
	-	-	DD
	-	D	D

**Short Term/Commercial Paper Investment Grade Ratings**

<b>Rating Interpretation</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
Superior Capacity	P-1	A-1+/A-1	F1+/F1
Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

<sup>1</sup> These are general credit rating guidelines and are for information only

## **GLOSSARY OF TERMS**

### **ACCRUED INTEREST**

Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

### **ASSET-BACKED SECURITIES (ABS)**

A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. For investors, asset-backed securities are an alternative to investing in corporate debt.

### **AVERAGE LIFE**

The length of time the principal of a debt issue is expected to be outstanding. The average life is an average period before a debt is repaid through amortization or sinking fund payments.

### **BANKERS' ACCEPTANCE**

A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

### **BASIS POINT**

One basis point is equal to 1/100 of one percent or .01%. Thus, 100 basis points equals 1%. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

### **BENCHMARK**

A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

### **BID**

The price at which a buyer offers to buy a security.

### **BOND**

A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is called the maturity date or maturity. In addition, the issuer of the bond, that is, the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

### **BOOK VALUE**

The value of a held security as carried in the records of an investor. May differ from current market value of the security.

**BROKER/DEALER**

Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

**CALLABLE SECURITIES**

An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

**COMMERCIAL PAPER**

Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

**COLLATERALIZED TIME DEPOSITS**

An interest-bearing bank deposit that has a specific maturity date.

**CORPORATE BOND**

A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher, even for top flight credit quality companies.

**COUPON RATE**

The annual rate of interest payable on a security expressed as a percentage of the principal amount.

**COVERED BOND**

A covered or mortgage bond is an on-balance sheet obligation of the issuing institution. Typically, a covered bond receives the legal structure, the issuer's backing and the pledge of quality assets, should the issuer fail to qualify for a higher rated bond.

**CREDIT RISK**

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CURRENT YIELD**

The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSIP NUMBERS**

CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.



**DISCOUNT**

The amount by which the par value of a security exceeds the price paid for the security.

**DIVERSIFICATION**

Dividing investment funds among a variety of securities offering independent returns.

**DURATION**

The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

**EARNINGS APPORTIONMENT**

The quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

**ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) PRINCIPLES**

Assessment of investment issuers with respect to the following:

Environmental: How a company limits its environmental impact and carbon footprint.

Social: How a company treats its employees, customers, community, and other companies with whom it interacts.

Governance: How a company is led and managed, including executive pay and internal controls.

**EQUITY-LINKED SECURITIES**

A hybrid debt instrument that is linked to the equity markets. Equity-linked securities can be in the form of a single stock, a group of stocks or an equity-based index, such as the S&P 500.

**EVENT-LINKED SECURITIES**

A type of bond whose interest and principal payments are determined based on the non-occurrence of certain events such as an earthquake and hurricane. If an event, usually referred to as a "trigger event", occurs, then the holder of the bond could see a loss of all future interest payments or a loss of most principal.

**FAIR VALUE**

The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL FUNDS**

Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**FEDERAL FUNDS RATE**

Interest rate at which banks lend federal funds to each other.

**FEDERAL OPEN MARKET COMMITTEE (FOMC)**

This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**FIDUCIARY**

An individual who holds something in trust for another and bears liability for its safekeeping.

**FLOATING RATE NOTE**

A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

**FUTURES**

Commodities, which are sold to be delivered at a future date

**INTEREST**

The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**INVERSE FLOATING RATE NOTES**

Variable-rate notes whose coupon and value increase as interest rates decrease.

**LEVERAGED FLOATER**

A security, generally a bond, which has a leverage factor of greater than one and a fixed margin with a variable coupon rate, which is tied to a benchmark interest rate or index.

**LIQUIDITY**

The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.

**LOCAL AGENCY INVESTMENT FUND (LAIF)**

The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

**MARKET RISK**

Market risk is the risk that investments will change in value based on changes in general market prices.

**MARKET VALUE**

The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT**

A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY**

The date upon which the principal of a security becomes due and payable to the holder.

**MONEY MARKET MUTUAL FUND**

A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

**MORTGAGE-BACKED SECURITIES (MBS)**

A type of asset-backed security that is secured by a mortgage or collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by an accredited credit rating agency, and usually pay periodic payments that are similar to coupon payments.

**MUNICIPAL BOND**

Debt obligation of a state or local government entity

**NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD)**

A negotiable certificate of deposit (NCD) is a certificate of deposit with a minimum face value of \$100,000, and they are guaranteed by the bank and can usually be sold in a highly liquid secondary market, but they cannot be cashed in before maturity.

**OPTION**

A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

**PAR**

The stated maturity value, or face value, of a security.

**PAR VALUE**

The stated or face value of a security expressed as a specific dollar amount marked on the face of the security, the amount of money due at maturity. Par value should not be confused with market value.

**PREMIUM**

The amount by which the price paid for a security exceeds the security's par value.

**PRIME RATE**

A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**PRUDENT-MAN RULE**

When one person is given control over another's assets, such fiduciaries must act as a prudent man or woman would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**RANGE NOTE**

A structured note that provides investors with an above-market coupon, but against foregoing coupon payments when the floating rate (LIBOR, typically) breaks outside the boundaries of a specific range.

**RATE OF RETURN**

The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.

**REPURCHASE AGREEMENT OR RP OR REPO**

An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

**SAFEKEEPING**

A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank in the customer's name.

**SECURITIES LENDING**

A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

**SETTLEMENT DATE**

The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

**STRIPs**

Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

**STRUCTURED INVESTMENT VEHICLES (SIV)**

A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS).

**TRADE DATE**

The date and time corresponding to an investor's commitment to buy or sell a security.

**U.S. AGENCY OBLIGATIONS**

Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank and PEFCO.

**US INSTRUMENTALITIES**

An organization that serves a public purpose and is closely tied to federal and/or state government, but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government.

**U.S. TREASURY OBLIGATIONS (TREASURIES)**

Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**WEIGHTED AVERAGE MATURITY**

The remaining average maturity of all securities held in a portfolio.

**YIELD**

The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**ZERO-COUPON BOND**

A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.



**Sandie Arnott**  
TREASURER-TAX COLLECTOR

# SAN MATEO COUNTY INVESTMENT POOL FUND AUGUST 2024 MONTH END REPORT





# TABLE OF CONTENTS

- I. Introduction Summary P. 3
- II. GASB Fair Market Value Factor P. 4
- III. Summary of Pool Earnings P. 5
- IV. Fixed Income Distribution P. 6-7
- V. Portfolio Appraisal P. 8-17
- VI. Diversification P. 18
- VII. Asset Allocation Graph P.19
- VIII. 12-Month Cash Flow P. 20



# INTRODUCTION SUMMARY

Gross earnings for the month ending August 2024 was 3.818%. Current average maturity of the portfolio is 1.84 years with an average duration of 1.67 years. As of the end of the month, the pool is currently on pace to meet the target rate. The current Par Value of the pool is \$7.778 billion. The largest non-government aggregate position is currently Cooperatieve Rabobank at 1.83%. The portfolio continues to hold no derivative products.

The estimated earnings for FY 2024-25 is 3.85%.

The San Mateo County Pool complies with Government Code Section 53646, which requires the ability to meet its expenditure requirements for the next six months.

I certify, and our compliance advisor, Silicon Valley Treasury Consulting Group, confirms these reports are in compliance with the Investment Policy dated Calendar Year 2024. Please visit our website if you wish to review Silicon Valley Treasury Consulting Group's monthly compliance report:

<https://www.smcgov.org/treasurer/investment-information>

If you have any questions regarding any of these reports, please call me at (650) 363-4470.

Best regards,

Sandie Arnott  
Treasurer-Tax Collector





**Sandie Arnott**  
**TREASURER - TAX COLLECTOR**

**Tiffany Htwe**  
ASSISTANT TREASURER

**Kathy Nunes**  
ASSISTANT TAX COLLECTOR

August 31, 2024

RE: SAN MATEO COUNTY INVESTMENT POOL, GASB FAIR MARKET VALUE FACTOR AS OF 08/31/24

As of August 31, 2024, the GASB fair market value factor for the San Mateo County Investment Pool is 1.00097.



**ESTIMATED SUMMARY OF POOL EARNINGS**

**August 2024**

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$ 1,547,870,000	\$ 3,123,571.46	U S Treasury Notes	\$ 489,402.69
Corporate Notes	840,959,000	2,873,744.80	Corporate Notes	69,240.90
Federal Agencies	1,576,050,000	5,832,455.57	Federal Agencies	1,174,093.80
U S Instrumentalities	311,282,000	1,110,727.51	U S Instrumentalities	41,566.79
Asset Backed Securities	24,409,466	12,782.06	U S Treasury Bills	17,975.69
Certificate of Deposit	37,000,000	161,853.97	Asset Backed Securities	11,204.65
	<b>\$ 4,337,570,466</b>	<b>\$ 13,115,135.36</b>	Certificate of Deposit	127,682.65
			Commercial Paper	97,794.44
			US Bank Earnings Credit	18,886.97
			Dreyfus	167,447.01
			CAMP	37,025.11
			<b>Total Realized Income</b>	<b>\$ 2,252,320.70</b>
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$ 517,945,000	\$ 649,843.84		
Corporate Notes	241,458,000	408,301.93		
Federal Agencies	1,391,313,000	4,231,632.82		
U S Instrumentalities	597,667,000	2,193,461.68		
U S Treasury Bills	25,000,000	110,975.70		
Asset Backed Securities	187,572	54.92		
Certificate of Deposit	538,700,000	2,348,747.94		
Dreyfus	28,344,397	-		
CAMP	50,000,000	219,760.27		
CALTRUST	50,000,000	201,061.64		
	<b>\$ 3,440,614,968</b>	<b>\$ 10,363,840.73</b>		
<b>Total Accrued Interest</b>	<b>\$ 7,778,185,435</b>	<b>\$ 23,478,976.10</b>		
<b>Total Dollar Earnings for August</b>		<b>\$ 25,731,296.80</b>		

<b>AVERAGE BALANCE</b>	\$ 7,935,564,643.26
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	3.818%
<b>ADMINISTRATION FEES*</b>	25,731,296.80
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	3.723%
	<b>\$ 25,091,016.31</b>

\*Current admin fees rate is at 9.5bp

SAN MATEO COUNTY TREASURER'S OFFICE  
**FIXED INCOME DISTRIBUTION - SETTLED TRADES**  
**SAN MATEO COUNTY POOL**

*August 31, 2024*

**Summary Information**

	<b>Totals</b>	<b>Weighted Averages</b>	
Par Value	7,778,185,435	Average YTM	4.52
Market Value	7,717,268,281.66	Average Maturity (yrs)	1.84
Total Cost	7,647,321,635.62	Average Coupon (%)	3.13
Net Gain/Loss	69,946,646.04	Average Duration	1.67
Annual Income	240,790,927.48	Average Moody Rating	Aa1/P-1
Accrued Interest	62,504,032.33	Average S&P Rating	AA/A-1
Number of Issues	356		

**Distribution by Maturity**

<b>Maturity</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
Under 1 Yr	129	3,410,089,444.18	44.2	4.7	2.929%	0.5
1 Yr - 3 Yrs	127	2,247,546,181.39	29.1	4.2	2.478%	1.8
3 Yrs - 5 Yrs	100	2,059,632,656.09	26.7	4.5	4.187%	3.5

**Distribution by Coupon**

<b>Coupon %</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
Under 1%	62	1,715,956,676.17	22.2	4.3	0.504%	1.0
1% - 3%	90	1,907,978,710.23	24.7	4.4	1.944%	1.7
3% - 5%	105	1,852,543,764.75	24.0	4.4	4.229%	2.0
5% - 7%	99	2,240,789,130.52	29.0	4.9	5.284%	1.9

**Distribution by Duration**

<b>Duration</b>	<b>Number</b>	<b>Mkt Value</b>	<b>% Bond Holdings</b>	<b>Average Y T M</b>	<b>Average Coupon</b>	<b>Average Duration</b>
Under 1 Yr	134	3,527,321,617.78	45.7	4.7	2.939%	0.5
1 Yr - 3 Yrs	140	2,531,064,995.14	32.8	4.3	2.726%	2.0
3 Yrs - 5 Yrs	82	1,658,881,668.74	21.5	4.4	4.167%	3.7

SAN MATEO COUNTY TREASURER'S OFFICE  
**FIXED INCOME DISTRIBUTION - SETTLED TRADES**  
***SAN MATEO COUNTY POOL***  
*August 31, 2024*

**Distribution by Moody Rating**

<u>Rating</u>	<u>Number</u>	<u>Mkt Value</u>	<u>% Bond Holdings</u>	<u>Average Y T M</u>	<u>Average Coupon</u>	<u>Average Duration</u>
Aaa	232	6,116,818,587.43	79.3	4.5	2.886%	1.7
Aa2	15	283,822,273.14	3.7	4.7	4.755%	1.1
Aa3	9	85,193,103.65	1.1	4.5	4.714%	2.6
A1	44	476,531,124.47	6.2	4.5	3.661%	1.7
A2	28	297,221,252.62	3.9	4.6	3.222%	2.0
A3	12	129,277,833.50	1.7	4.4	3.441%	2.1
P-1	5	143,086,225.00	1.9	4.7	4.899%	0.9
Not Rated	11	185,317,881.85	2.4	4.8	5.061%	1.0

**Distribution by S&P Rating**

<u>Rating</u>	<u>Number</u>	<u>Mkt Value</u>	<u>% Bond Holdings</u>	<u>Average Y T M</u>	<u>Average Coupon</u>	<u>Average Duration</u>
AAA	40	1,114,836,747.96	14.4	4.4	2.632%	1.2
AA+	194	5,015,787,622.86	65.0	4.5	2.938%	1.8
AA	9	107,728,252.91	1.4	4.4	2.518%	1.9
AA-	10	156,378,830.04	2.0	4.9	4.888%	0.8
A+	32	476,060,640.42	6.2	4.8	5.070%	1.5
A	32	371,756,695.05	4.8	4.7	3.521%	1.7
A-	26	263,302,163.11	3.4	4.4	3.355%	2.2
BBB+	7	68,144,006.05	0.9	4.2	2.596%	1.7
A-1+	1	50,206,666.67	0.7	4.9	4.960%	0.9
A-1	4	92,879,558.33	1.2	4.7	4.865%	1.0
Not Rated	1	187,098.27	0.0	0.9	0.620%	0.9

\*\* MARKET VALUE ON THE FIXED INCOME DISTRIBUTION REPORT INCLUDES ANY ACCRUED INTEREST THAT A SECURITY HAS EARNED. TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MONTHLY TRANSACTION SUMMARY REPORT IS AVAILABLE UPON REQUEST.

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*August 31, 2024*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
<b>CERTIFICATE OF DEPOSIT</b>													
COOPERATIEVE RABOBANK UA	5.95	09-12-24			12,000,000	100.03	12,003,425.51	100.00	12,000,000.00	702,100.00	12,702,100.00	A+	0.16
BANK OF NOVA SCOTIA HOUSTON	5.96	10-02-24			20,000,000	100.00	20,000,000.00	100.00	20,000,000.00	1,099,288.89	21,099,288.89	A+	0.26
COOPERATIEVE RABOBANK UA	5.16	12-12-24			24,000,000	100.00	24,000,000.00	100.00	24,000,000.00	904,720.00	24,904,720.00	A+	0.31
ROYAL BANK OF CANADA NY	5.23	12-13-24			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	951,569.44	25,951,569.44	AA-	0.33
CREDIT AGRICOLE CIB NY	5.14	12-18-24			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	917,347.22	25,917,347.22	A-1	0.33
BNP PARIBAS NY BRANCH	5.18	02-07-25			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	741,027.78	25,741,027.78	A+	0.33
SVENSKA HANDELSBANKEN NY	5.27	02-12-25			26,800,000	100.10	26,826,094.99	100.00	26,800,000.00	788,567.67	27,588,567.67	AA-	0.35
CREDIT INDUSTRIEL ET COMMERCIAL SA NY	5.32	02-28-25			35,000,000	100.00	35,000,000.00	100.00	35,000,000.00	956,861.11	35,956,861.11	A+	0.46
SVENSKA HANDELSBANKEN NY	5.26	03-24-25			20,000,000	101.73	20,346,475.60	100.00	20,000,000.00	468,000.00	20,468,000.00	AA-	0.26
COOPERATIEVE RABOBANK UA	5.40	04-07-25			50,000,000	100.00	50,000,000.00	100.00	50,000,000.00	1,095,000.00	51,095,000.00	A+	0.65
CREDIT INDUSTRIEL ET COMMERCIAL SA NY	5.54	04-17-25			24,900,000	100.40	24,999,995.88	100.00	24,900,000.00	521,129.33	25,421,129.33	A+	0.33
WESTPAC BANKING CORP NY	5.52	04-17-25			30,000,000	100.00	30,000,000.00	100.00	30,000,000.00	625,600.00	30,625,600.00	AA-	0.39
CREDIT INDUSTRIEL ET COMMERCIAL SA NY	5.54	04-25-25			25,000,000	100.01	25,001,433.67	100.00	25,000,000.00	492,444.44	25,492,444.44	A+	0.33
BANK OF MONTREAL CHICAGO	5.60	05-01-25			25,000,000	100.02	25,003,888.89	100.00	25,000,000.00	474,444.44	25,474,444.44	A+	0.33
NATIXIS NY BRANCH	5.48	05-08-25			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	437,638.89	25,437,638.89	A	0.33
BANK OF MONTREAL CHICAGO	5.48	05-14-25			15,000,000	100.00	15,000,000.00	100.00	15,000,000.00	248,883.33	15,248,883.33	A+	0.20
WESTPAC BANKING CORP NY	5.38	05-15-25			5,000,000	100.00	5,000,000.00	100.00	5,000,000.00	80,700.00	5,080,700.00	AA-	0.07
NATIXIS NY BRANCH	5.43	06-06-25			30,000,000	100.19	30,057,151.53	100.00	30,000,000.00	389,150.00	30,389,150.00	A	0.39
NATIXIS NY BRANCH	4.75	06-09-25			21,000,000	100.00	21,000,000.00	100.00	21,000,000.00	229,979.17	21,229,979.17	A-1	0.27
BNP PARIBAS NY BRANCH	4.77	07-07-25			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	182,187.50	25,182,187.50	A-1	0.33
ROYAL BANK OF CANADA NY	4.96	08-01-25			50,000,000	100.00	50,000,000.00	100.00	50,000,000.00	206,666.67	50,206,666.67	A-1+	0.65
NATIXIS NY BRANCH	5.61	09-18-26			17,000,000	100.00	17,000,000.00	100.00	17,000,000.00	921,910.00	17,921,910.00	A	0.22
CREDIT AGRICOLE CIB NY	4.76	02-01-27			20,000,000	100.00	20,000,000.00	100.00	20,000,000.00	550,044.44	20,550,044.44	A-1	0.26
					575,700,000		576,238,466.07		575,700,000.00	13,985,260.33	589,685,260.33		7.52
<b>LOCAL AGENCY INVESTMENT FUND</b>													
CA ASSET MGMT PROGRAM	5.15	09-01-24			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	107,291.67	25,107,291.67	AAA	0.33
CALTRUST	5.15	09-01-24			50,000,000	100.00	50,000,000.00	100.00	50,000,000.00	143,055.56	50,143,055.56	AAA	0.65
CA ASSET MGMT PROGRAM TERM	5.20	05-15-25			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	390,000.00	25,390,000.00	AAA	0.33
					100,000,000		100,000,000.00		100,000,000.00	640,347.22	100,640,347.22		1.31
<b>UNITED STATES TREASURY-BILLS</b>													
UNITED STATES TREASURY BILL	0.00	09-26-24			25,000,000	97.59	24,398,583.33	99.67	24,917,024.25	0.00	24,917,024.25	AA+	0.33
<b>UNITED STATES TREASURY-NOTES</b>													
UNITED STATES TREAS NTS	2.12	09-30-24			15,900,000	102.27	16,260,855.47	99.77	15,863,061.44	141,242.83	16,004,304.27	AA+	0.21
UNITED STATES TREAS NTS	1.50	09-30-24			9,000,000	100.80	9,072,070.31	99.72	8,975,050.02	56,434.43	9,031,484.45	AA+	0.12
UNITED STATES TREAS NTS	1.50	09-30-24			25,000,000	104.75	26,186,523.44	99.72	24,930,694.50	156,762.30	25,087,456.80	AA+	0.33
UNITED STATES TREAS NTS	1.50	10-31-24			33,895,000	99.94	33,875,139.65	99.40	33,691,630.00	170,864.14	33,862,494.14	AA+	0.44
UNITED STATES TREAS NTS	1.50	10-31-24			10,000,000	104.53	10,453,125.00	99.40	9,940,000.00	50,409.84	9,990,409.84	AA+	0.13
UNITED STATES TREAS NTS	1.50	10-31-24			34,500,000	103.57	35,730,410.16	99.40	34,293,000.00	173,913.93	34,466,913.93	AA+	0.45
UNITED STATES TREAS NTS	0.75	11-15-24			15,000,000	99.62	14,943,750.00	99.14	14,871,679.65	33,016.30	14,904,695.95	AA+	0.19
UNITED STATES TREAS NTS	1.00	12-15-24			35,000,000	100.04	35,013,671.88	98.92	34,621,289.15	73,633.88	34,694,923.03	AA+	0.45
UNITED STATES TREAS NTS	1.75	12-31-24			25,000,000	104.49	26,123,046.88	98.95	24,737,793.00	74,112.02	24,811,905.02	AA+	0.32
UNITED STATES TREAS NTS	1.37	01-31-25			25,000,000	103.08	25,770,507.81	98.57	24,643,164.00	28,957.20	24,672,121.20	AA+	0.32
UNITED STATES TREAS NTS	1.50	02-15-25			29,350,000	95.07	27,901,990.23	98.50	28,910,437.96	19,566.67	28,930,004.63	AA+	0.38
UNITED STATES TREAS NTS	0.50	03-31-25			25,000,000	99.58	24,894,531.25	97.64	24,411,132.75	52,309.78	24,463,442.53	AA+	0.32
UNITED STATES TREAS NTS	0.25	05-31-25			10,125,000	98.45	9,967,587.89	96.87	9,808,396.01	6,396.91	9,814,792.92	AA+	0.13
UNITED STATES TREAS NTS	0.25	05-31-25			11,000,000	98.32	10,815,664.06	96.87	10,656,035.17	6,949.73	10,662,984.90	AA+	0.14
UNITED STATES TREAS NTS	0.25	05-31-25			25,000,000	92.73	23,183,593.75	96.87	24,218,261.75	15,794.84	24,234,056.59	AA+	0.32
UNITED STATES TREAS NTS	2.87	06-15-25			25,000,000	96.56	24,139,648.44	98.71	24,676,953.00	151,736.11	24,828,689.11	AA+	0.32
UNITED STATES TREAS NTS	2.75	06-30-25			25,000,000	108.70	27,174,804.69	98.64	24,659,179.75	115,828.80	24,775,008.55	AA+	0.32

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*August 31, 2024*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
UNITED STATES TREAS NTS	0.25	06-30-25			19,000,000	98.18	18,654,140.63	96.61	18,355,632.86	8,002.72	18,363,635.58	AA+	0.24
UNITED STATES TREAS NTS	0.25	06-30-25			10,000,000	98.17	9,817,187.50	96.61	9,660,859.40	4,211.96	9,665,071.36	AA+	0.13
UNITED STATES TREAS NTS	0.25	06-30-25			25,000,000	93.11	23,277,343.75	96.61	24,152,148.50	10,529.89	24,162,678.39	AA+	0.32
UNITED STATES TREAS NTS	0.25	07-31-25			20,000,000	99.74	19,947,656.25	96.31	19,262,656.20	4,211.96	19,266,868.16	AA+	0.25
UNITED STATES TREAS NTS	0.25	07-31-25			10,175,000	98.21	9,992,962.89	96.31	9,799,876.34	2,142.83	9,802,019.17	AA+	0.13
UNITED STATES TREAS NTS	0.25	07-31-25			30,000,000	97.90	29,370,703.13	96.31	28,893,984.30	6,317.93	28,900,302.23	AA+	0.38
UNITED STATES TREAS NTS	0.25	08-31-25			25,000,000	98.82	24,706,054.69	96.01	24,002,929.75	509.51	24,003,439.26	AA+	0.31
UNITED STATES TREAS NTS	0.25	09-30-25			20,000,000	98.20	19,639,843.75	95.74	19,148,437.60	20,901.64	19,169,339.24	AA+	0.25
UNITED STATES TREAS NTS	0.25	10-31-25			11,000,000	99.04	10,893,867.19	95.48	10,502,851.59	9,241.80	10,512,093.39	AA+	0.14
UNITED STATES TREAS NTS	0.25	10-31-25			25,000,000	97.68	24,419,921.88	95.48	23,870,117.25	21,004.10	23,891,121.35	AA+	0.31
UNITED STATES TREAS NTS	0.25	10-31-25			25,000,000	97.84	24,460,937.50	95.48	23,870,117.25	21,004.10	23,891,121.35	AA+	0.31
UNITED STATES TREAS NTS	0.37	11-30-25			48,800,000	98.17	47,907,875.00	95.36	46,535,375.00	46,000.00	46,581,375.00	AA+	0.61
UNITED STATES TREAS NTS	0.37	12-31-25			14,000,000	99.92	13,988,515.63	95.12	13,316,953.16	8,893.44	13,325,846.60	AA+	0.17
UNITED STATES TREAS NTS	0.37	01-31-26			40,500,000	98.99	40,090,253.91	94.87	38,422,793.07	12,793.82	38,435,586.89	AA+	0.50
UNITED STATES TREAS NTS	0.37	01-31-26			20,000,000	98.05	19,610,937.50	94.87	18,974,218.80	6,317.93	18,980,536.73	AA+	0.25
UNITED STATES TREAS NTS	1.62	02-15-26			50,000,000	103.85	51,923,828.13	96.50	48,248,047.00	35,326.09	48,283,373.09	AA+	0.63
UNITED STATES TREAS NTS	2.50	02-28-26			46,100,000	108.14	49,854,628.91	97.69	45,033,937.50	0.00	45,033,937.50	AA+	0.59
UNITED STATES TREAS NTS	0.50	02-28-26			20,000,000	98.42	19,683,593.75	94.82	18,964,062.40	49,728.26	19,013,790.66	AA+	0.25
UNITED STATES TREAS NTS	0.75	03-31-26			10,200,000	97.21	9,915,515.63	94.96	9,686,414.09	32,013.59	9,718,427.67	AA+	0.13
UNITED STATES TREAS NTS	0.75	03-31-26			11,500,000	91.83	10,560,683.59	94.96	10,920,957.06	36,093.75	10,957,050.81	AA+	0.14
UNITED STATES TREAS NTS	3.75	04-15-26			15,000,000	97.37	14,605,664.06	99.52	14,927,929.65	212,500.00	15,140,429.65	AA+	0.20
UNITED STATES TREAS NTS	0.75	04-30-26			10,000,000	99.69	9,969,140.63	94.75	9,475,390.60	25,067.93	9,500,458.53	AA+	0.12
UNITED STATES TREAS NTS	0.75	04-30-26			18,000,000	98.03	17,645,625.00	94.75	17,055,703.08	45,122.28	17,100,825.36	AA+	0.22
UNITED STATES TREAS NTS	0.75	04-30-26			25,000,000	92.27	23,067,382.81	94.75	23,688,476.50	62,669.84	23,751,146.34	AA+	0.31
UNITED STATES TREAS NTS	0.75	05-31-26			14,250,000	99.84	14,227,177.73	94.55	13,473,486.29	27,009.17	13,500,495.46	AA+	0.18
UNITED STATES TREAS NTS	0.75	05-31-26			15,000,000	99.83	14,974,804.69	94.55	14,182,617.15	28,430.71	14,211,047.86	AA+	0.19
UNITED STATES TREAS NTS	0.75	05-31-26			20,500,000	100.11	20,522,421.88	94.55	19,382,910.10	38,855.30	19,421,765.40	AA+	0.25
UNITED STATES TREAS NTS	0.87	06-30-26			26,000,000	98.72	25,666,875.00	94.56	24,585,234.44	38,328.80	24,623,563.24	AA+	0.32
UNITED STATES TREAS NTS	4.50	07-15-26			12,700,000	99.70	12,661,304.69	100.93	12,817,574.19	73,025.00	12,890,599.19	AA+	0.17
UNITED STATES TREAS NTS	0.62	07-31-26			10,000,000	95.80	9,580,078.13	93.91	9,391,015.60	5,264.95	9,396,280.55	AA+	0.12
UNITED STATES TREAS NTS	0.75	08-31-26			15,975,000	99.36	15,872,036.13	93.94	15,007,139.61	976.73	15,008,116.34	AA+	0.20
UNITED STATES TREAS NTS	0.75	08-31-26			17,000,000	97.83	16,630,781.25	93.94	15,970,039.02	1,039.40	15,971,078.42	AA+	0.21
UNITED STATES TREAS NTS	0.75	08-31-26			20,000,000	88.75	17,749,218.75	93.94	18,788,281.20	1,222.83	18,789,504.03	AA+	0.25
UNITED STATES TREAS NTS	1.62	09-30-26			25,000,000	101.72	25,430,664.06	95.47	23,867,187.50	169,825.82	24,037,013.32	AA+	0.31
UNITED STATES TREAS NTS	0.87	09-30-26			10,000,000	99.69	9,968,750.00	94.02	9,402,343.80	36,577.87	9,438,921.67	AA+	0.12
UNITED STATES TREAS NTS	0.87	09-30-26			13,000,000	99.05	12,876,601.56	94.02	12,223,046.94	47,551.23	12,270,598.17	AA+	0.16
UNITED STATES TREAS NTS	1.12	10-31-26			35,000,000	99.54	34,837,304.69	94.30	33,006,640.80	132,325.82	33,138,966.62	AA+	0.43
UNITED STATES TREAS NTS	1.62	11-30-26			15,000,000	101.82	15,272,460.94	95.18	14,276,367.15	61,270.49	14,337,637.64	AA+	0.19
UNITED STATES TREAS NTS	1.62	11-30-26			4,000,000	94.70	3,788,125.00	95.18	3,807,031.24	16,338.80	3,823,370.04	AA+	0.05
UNITED STATES TREAS NTS	1.25	12-31-26			18,500,000	91.71	16,965,800.78	94.26	17,438,418.01	38,541.67	17,476,959.68	AA+	0.23
UNITED STATES TREAS NTS	1.50	01-31-27			21,895,000	90.86	19,892,804.88	94.61	20,714,722.66	27,368.75	20,742,091.41	AA+	0.27
UNITED STATES TREAS NTS	1.87	02-28-27			14,760,000	92.47	13,648,387.50	95.35	14,073,890.55	0.00	14,073,890.55	AA+	0.18
UNITED STATES TREAS NTS	2.50	03-31-27			11,450,000	95.53	10,938,328.13	96.80	11,084,136.78	119,270.00	11,203,407.61	AA+	0.14
UNITED STATES TREAS NTS	2.75	04-30-27			19,950,000	94.83	18,918,210.94	97.30	19,410,726.56	182,875.00	19,593,601.56	AA+	0.25
UNITED STATES TREAS NTS	2.37	05-15-27			26,400,000	94.55	24,961,092.39	96.27	25,414,125.00	184,616.67	25,598,741.67	AA+	0.33
UNITED STATES TREAS NTS	2.62	05-31-27			14,160,000	92.78	13,137,825.00	96.91	13,722,478.09	92,925.00	13,815,403.09	AA+	0.18
UNITED STATES TREAS NTS	0.50	06-30-27			11,500,000	88.65	10,195,019.53	91.21	10,488,808.56	9,583.33	10,498,391.90	AA+	0.14
UNITED STATES TREAS NTS	0.50	06-30-27			10,940,000	91.31	9,988,825.71	91.21	9,978,049.19	9,116.67	9,987,165.86	AA+	0.13
UNITED STATES TREAS NTS	2.75	07-31-27			13,500,000	96.09	12,972,656.25	97.09	13,107,656.25	30,937.50	13,138,593.75	AA+	0.17
UNITED STATES TREAS NTS	2.75	07-31-27			25,000,000	96.03	24,006,835.94	97.09	24,273,437.50	57,291.67	24,330,729.17	AA+	0.32
UNITED STATES TREAS NTS	3.12	08-31-27			57,000,000	95.97	54,704,414.06	98.10	55,917,890.34	14,843.75	55,932,734.09	AA+	0.73
UNITED STATES TREAS NTS	4.12	09-30-27			30,500,000	99.36	30,304,609.38	101.00	30,806,191.33	524,218.75	31,330,410.08	AA+	0.40
UNITED STATES TREAS NTS	4.12	10-31-27			15,200,000	102.02	15,506,375.00	100.96	15,346,062.58	209,000.00	15,555,062.58	AA+	0.20

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*August 31, 2024*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
UNITED STATES TREAS NTS	2.25	11-15-27			39,400,000	94.54	37,248,390.63	95.37	37,576,211.04	261,025.00	37,837,236.04	AA+	0.49
UNITED STATES TREAS NTS	0.62	12-31-27			21,000,000	84.98	17,846,718.75	90.21	18,943,476.51	21,875.00	18,965,351.51	AA+	0.25
UNITED STATES TREAS NTS	3.50	01-31-28			25,000,000	97.96	24,491,210.94	99.10	24,774,414.00	72,916.67	24,847,330.67	AA+	0.32
UNITED STATES TREAS NTS	2.75	02-15-28			25,000,000	97.14	24,284,179.69	96.64	24,160,156.25	30,555.56	24,190,711.81	AA+	0.32
UNITED STATES TREAS NTS	2.75	02-15-28			4,200,000	95.97	4,030,851.56	96.64	4,058,906.25	5,133.33	4,064,039.58	AA+	0.05
UNITED STATES TREAS NTS	1.25	03-31-28			15,000,000	87.87	13,181,250.00	91.60	13,740,234.30	78,125.00	13,818,359.30	AA+	0.18
UNITED STATES TREAS NTS	1.25	04-30-28			13,500,000	87.71	11,841,503.91	91.44	12,344,062.50	56,250.00	12,400,312.50	AA+	0.16
UNITED STATES TREAS NTS	1.25	04-30-28			25,000,000	89.65	22,412,109.38	91.44	22,859,375.00	104,166.67	22,963,541.67	AA+	0.30
UNITED STATES TREAS NTS	1.25	05-31-28			20,000,000	87.59	17,518,750.00	91.27	18,253,906.20	62,500.00	18,316,406.20	AA+	0.24
UNITED STATES TREAS NTS	1.25	06-30-28			6,000,000	86.72	5,203,125.00	91.08	5,464,921.86	12,500.00	5,477,421.86	AA+	0.07
UNITED STATES TREAS NTS	1.25	06-30-28			9,165,000	86.73	7,948,489.45	91.08	8,347,668.14	19,093.75	8,366,761.89	AA+	0.11
UNITED STATES TREAS NTS	1.25	06-30-28			5,100,000	87.85	4,480,230.47	91.08	4,645,183.58	10,625.00	4,655,808.58	AA+	0.06
UNITED STATES TREAS NTS	1.00	07-31-28			25,000,000	88.11	22,026,367.19	90.01	22,501,953.00	20,833.33	22,522,786.33	AA+	0.29
UNITED STATES TREAS NTS	2.87	08-15-28			30,000,000	94.82	28,446,093.75	96.72	29,015,625.00	38,333.33	29,053,958.33	AA+	0.38
UNITED STATES TREAS NTS	4.62	09-30-28			26,000,000	101.45	26,375,781.25	103.23	26,839,921.94	501,041.67	27,340,963.61	AA+	0.35
UNITED STATES TREAS NTS	4.87	10-31-28			21,600,000	100.37	21,679,312.50	104.25	22,518,000.00	351,000.00	22,869,000.00	AA+	0.29
UNITED STATES TREAS NTS	4.87	10-31-28			23,100,000	101.70	23,492,401.83	104.25	24,081,750.00	375,375.00	24,457,125.00	AA+	0.31
UNITED STATES TREAS NTS	3.12	11-15-28			46,500,000	95.36	44,343,925.78	97.50	45,337,500.00	427,864.58	45,765,364.58	AA+	0.59
UNITED STATES TREAS NTS	1.75	01-31-29			25,000,000	90.29	22,571,289.06	91.90	22,975,586.00	36,458.33	23,012,044.33	AA+	0.30
UNITED STATES TREAS NTS	2.62	02-15-29			13,600,000	91.18	12,399,906.25	95.39	12,973,656.22	15,866.67	12,989,522.88	AA+	0.17
UNITED STATES TREAS NTS	2.62	02-15-29			13,500,000	92.98	12,552,890.63	95.39	12,878,261.68	15,750.00	12,894,011.68	AA+	0.17
UNITED STATES TREAS NTS	2.62	02-15-29			22,500,000	94.24	21,203,613.28	95.39	21,463,769.47	26,250.00	21,490,019.47	AA+	0.28
UNITED STATES TREAS NTS	2.37	03-31-29			25,000,000	89.84	22,460,777.41	94.21	23,553,711.00	247,395.83	23,801,106.83	AA+	0.31
UNITED STATES TREAS NTS	2.37	03-31-29			15,300,000	93.55	14,313,272.80	94.21	14,414,871.13	151,406.25	14,566,277.38	AA+	0.19
UNITED STATES TREAS NTS	2.87	04-30-29			7,475,000	94.27	7,046,355.47	96.25	7,194,687.50	71,635.42	7,266,322.92	AA+	0.09
UNITED STATES TREAS NTS	2.87	04-30-29			21,000,000	94.52	19,849,921.88	96.25	20,212,500.00	201,250.00	20,413,750.00	AA+	0.26
UNITED STATES TREAS NTS	2.75	05-31-29			22,650,000	94.73	21,455,861.33	95.66	21,667,025.33	155,718.75	21,822,744.08	AA+	0.28
UNITED STATES TREAS NTS	3.25	06-30-29			20,000,000	98.09	19,618,206.52	97.76	19,552,343.80	108,333.33	19,660,677.13	AA+	0.26
UNITED STATES TREAS NTS	2.62	07-31-29			27,000,000	95.33	25,738,731.32	94.97	25,641,562.50	59,062.50	25,700,625.00	AA+	0.33
					2,065,815,000		2,007,772,492.65		1,990,626,375.75	7,725,508.55	1,998,351,884.30		26.01
<b>FEDERAL AGENCY SECURITIES</b>													
FEDERAL HOME LOAN BANK	2.87	09-13-24			4,000,000	109.63	4,385,200.00	99.93	3,997,327.64	53,666.67	4,050,994.31	AA+	0.05
FEDERAL HOME LOAN BANK	3.50	09-13-24			25,000,000	98.52	24,629,000.00	99.94	24,986,115.25	408,333.33	25,394,448.58	AA+	0.33
FEDERAL HOME LOAN BANK	4.87	09-13-24			15,000,000	100.34	15,051,150.00	99.98	14,996,938.50	341,250.00	15,338,188.50	AA+	0.20
FEDERAL HOME LOAN BANK	4.87	09-13-24			25,000,000	99.70	24,924,300.00	99.98	24,994,897.50	568,750.00	25,563,647.50	AA+	0.33
FEDERAL HOME LOAN BANK	4.87	09-13-24			25,000,000	100.27	25,067,500.00	99.98	24,994,897.50	568,750.00	25,563,647.50	AA+	0.33
FEDERAL HOME LOAN BANK	4.87	09-13-24			2,000,000	99.47	1,989,440.00	99.98	1,999,591.80	45,500.00	2,045,091.80	AA+	0.03
FEDERAL HOME LOAN BANK	0.42	09-17-24			33,000,000	94.20	31,086,660.00	99.81	32,938,486.68	63,140.00	33,001,626.68	AA+	0.43
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.25	09-23-24			25,000,000	100.00	25,000,000.00	100.00	25,001,190.25	247,916.67	25,249,106.92	AA+	0.33
FEDERAL HOME LOAN BANK	5.18	09-24-24			25,000,000	100.00	25,000,000.00	99.99	24,997,462.50	564,763.89	25,562,226.39	AA+	0.33
FEDERAL FARM CREDIT BANK	5.25	10-02-24			25,000,000	99.90	24,975,000.00	100.00	25,000,491.25	543,229.17	25,543,720.42	AA+	0.33
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.62	10-15-24			15,900,000	99.83	15,872,811.00	99.57	15,831,827.80	97,608.33	15,929,436.13	AA+	0.21
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.62	10-15-24			12,300,000	103.37	12,714,141.00	99.57	12,247,263.01	75,508.33	12,322,771.35	AA+	0.16
FEDERAL HOME LOAN BANK	5.05	10-21-24			25,000,000	100.00	25,000,000.00	99.96	24,990,669.75	455,902.78	25,446,572.53	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.10	11-29-24			25,000,000	100.00	25,000,000.00	100.01	25,001,443.50	325,833.33	25,327,276.83	AA+	0.33
FEDERAL FARM CREDIT BANK	4.62	12-05-24			10,000,000	99.93	9,992,630.00	99.88	9,987,610.30	110,486.11	10,098,096.41	AA+	0.13
FEDERAL FARM CREDIT BANK	4.62	10-05-24			10,000,000	100.29	10,028,600.00	99.88	9,987,610.30	110,486.11	10,098,096.41	AA+	0.13
FEDERAL HOME LOAN BANK	0.62	12-09-24	09-09-24	100	14,420,000	93.60	13,497,696.80	98.79	14,245,335.30	20,364.24	14,265,699.54	AA+	0.19
FEDERAL FARM CREDIT BANK	5.00	01-07-25			45,000,000	100.00	45,000,000.00	100.01	45,004,704.30	337,500.00	45,342,204.30	AA+	0.59
FEDERAL FARM CREDIT BANK	5.00	01-07-25			25,000,000	99.92	24,980,375.00	100.01	25,002,613.50	187,500.00	25,190,113.50	AA+	0.33
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.62	01-07-25			34,900,000	99.68	34,788,669.00	98.83	34,493,185.71	85,068.75	34,578,254.46	AA+	0.45
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.62	01-07-25			33,600,000	96.46	32,409,216.00	98.83	33,208,339.25	81,900.00	33,290,239.25	AA+	0.43

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*August 31, 2024*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN MORTGAGE CORP	5.20	01-10-25	10-10-24	100	25,000,000	100.00	25,000,000.00	99.94	24,985,832.75	184,166.67	25,169,999.42	AA+	0.33
FEDERAL HOME LOAN BANK	4.82	01-15-25			25,000,000	100.00	25,000,000.00	99.89	24,973,134.50	153,972.22	25,127,106.72	AA+	0.33
FEDERAL HOME LOAN BANK	5.12	01-24-25	10-24-24	100	25,000,000	100.00	25,000,000.00	99.95	24,987,275.75	451,996.53	25,439,272.28	AA+	0.33
FEDERAL FARM CREDIT BANK	4.62	01-27-25			25,000,000	99.89	24,973,725.00	99.78	24,945,090.50	109,201.39	25,054,291.89	AA+	0.33
FEDERAL HOME LOAN BANK	4.90	01-30-25	10-30-24	100	25,000,000	100.00	25,000,000.00	99.84	24,959,394.75	102,083.33	25,061,478.08	AA+	0.33
FEDERAL HOME LOAN BANK	4.31	02-10-25			25,000,000	100.00	25,000,000.00	99.65	24,913,569.00	62,854.17	24,976,423.17	AA+	0.33
FEDERAL HOME LOAN BANK	5.20	02-11-25			25,000,000	100.00	25,000,000.00	100.02	25,004,839.50	72,222.22	25,077,061.72	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	1.50	02-12-25			41,535,000	99.92	41,503,018.05	98.52	40,921,579.97	32,881.87	40,954,461.84	AA+	0.53
FEDERAL HOME LOAN MORTGAGE CORP	1.50	02-12-25			25,000,000	96.01	24,003,250.00	98.52	24,630,781.25	19,791.67	24,650,572.92	AA+	0.32
FEDERAL FARM CREDIT BANK	1.75	02-14-25			17,305,000	99.73	17,258,795.65	98.61	17,064,579.21	14,300.66	17,078,879.87	AA+	0.22
FEDERAL FARM CREDIT BANK	1.75	02-14-25			6,809,000	95.74	6,519,208.96	98.61	6,714,401.61	5,626.88	6,720,028.49	AA+	0.09
FEDERAL HOME LOAN BANK	5.20	02-27-25	11-27-24	100	15,000,000	100.00	15,000,000.00	99.94	14,991,460.05	8,666.67	15,000,126.72	AA+	0.20
FEDERAL FARM CREDIT BANK	4.00	03-10-25			25,000,000	99.97	24,991,500.00	99.74	24,935,587.75	475,000.00	25,410,587.75	AA+	0.33
FEDERAL HOME LOAN BANK	2.37	03-14-25			18,800,000	106.96	20,109,420.00	98.72	18,560,053.34	207,126.39	18,767,179.73	AA+	0.24
FEDERAL HOME LOAN BANK	4.62	03-14-25			20,000,000	101.31	20,262,600.00	100.05	20,009,610.60	429,097.22	20,438,707.82	AA+	0.26
FEDERAL FARM CREDIT BANK	4.00	03-28-25			25,000,000	99.57	24,893,650.00	99.71	24,928,686.00	425,000.00	25,353,686.00	AA+	0.33
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.62	04-22-25			25,000,000	101.13	25,283,250.00	97.47	24,368,692.00	55,989.58	24,424,681.58	AA+	0.32
FEDERAL FARM CREDIT BANK	4.00	05-09-25			10,000,000	99.98	9,998,000.00	99.65	9,965,310.10	124,444.44	10,089,754.54	AA+	0.13
FEDERAL HOME LOAN MORTGAGE CORP	5.25	05-16-25	11-16-24	100	26,709,000	100.00	26,709,000.00	99.82	26,661,720.26	408,981.56	27,070,701.82	AA+	0.35
FEDERAL HOME LOAN BANK	4.51	06-02-25			25,000,000	100.00	25,000,000.00	99.98	24,994,639.00	278,743.06	25,273,382.06	AA+	0.33
FEDERAL HOME LOAN BANK	4.90	06-06-25			6,300,000	99.92	6,295,149.00	100.19	6,312,024.37	72,887.50	6,384,911.87	AA+	0.08
FEDERAL FARM CREDIT BANK	4.25	06-13-25			25,000,000	100.00	25,000,000.00	99.77	24,941,918.00	230,208.33	25,172,126.33	AA+	0.33
FEDERAL HOME LOAN BANK	0.50	06-13-25			14,000,000	93.28	13,058,640.00	96.95	13,573,361.20	15,166.67	13,588,527.87	AA+	0.18
FEDERAL HOME LOAN BANK	0.50	06-13-25			10,000,000	93.26	9,326,200.00	96.95	9,695,258.00	10,833.33	9,706,091.33	AA+	0.13
FEDERAL HOME LOAN BANK	5.12	06-13-25			5,000,000	100.07	5,003,500.00	100.46	5,023,009.10	55,520.83	5,078,529.93	AA+	0.07
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			24,800,000	99.79	24,748,664.00	96.88	24,027,289.78	25,488.89	24,052,778.67	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			18,400,000	100.50	18,492,920.00	96.88	17,826,698.87	18,911.11	17,845,609.98	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			5,000,000	92.74	4,637,100.00	96.88	4,844,211.65	5,138.89	4,849,350.54	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			5,000,000	92.60	4,630,100.00	96.88	4,844,211.65	5,138.89	4,849,350.54	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			25,000,000	92.64	23,160,375.00	96.88	24,221,058.25	25,694.44	24,246,752.69	AA+	0.32
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	06-17-25			8,000,000	92.55	7,403,880.00	96.88	7,750,738.64	8,222.22	7,758,960.86	AA+	0.10
FEDERAL FARM CREDIT BANK	4.62	06-20-25			11,000,000	99.92	10,990,651.99	100.05	11,005,198.82	100,336.81	11,105,535.63	AA+	0.14
FEDERAL HOME LOAN BANK	3.30	06-30-25			7,000,000	99.85	6,989,500.00	98.98	6,928,428.57	38,500.00	6,966,928.57	AA+	0.09
FEDERAL HOME LOAN BANK	5.10	07-11-25			25,000,000	100.00	25,000,000.00	100.38	25,095,032.00	0.00	25,095,032.00	AA+	0.33
FEDERAL HOME LOAN BANK	5.03	07-16-25			6,000,000	99.84	5,990,244.00	100.32	6,019,129.98	37,725.00	6,056,854.98	AA+	0.08
FEDERAL HOME LOAN MORTGAGE CORP	0.37	07-21-25			15,135,000	99.50	15,059,627.70	96.47	14,601,033.57	6,306.25	14,607,339.82	AA+	0.19
FEDERAL HOME LOAN MORTGAGE CORP	0.37	07-21-25			5,000,000	99.62	4,981,100.00	96.47	4,823,598.80	2,083.33	4,825,682.13	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORP	0.37	07-21-25			10,000,000	99.52	9,951,600.00	96.47	9,647,197.60	4,166.67	9,651,364.27	AA+	0.13
FEDERAL FARM CREDIT BANK	4.25	07-24-25			20,000,000	99.93	19,986,200.00	99.77	19,953,994.80	87,361.11	20,041,355.91	AA+	0.26
FEDERAL FARM CREDIT BANK	4.25	07-24-25			25,000,000	99.94	24,985,250.00	99.77	24,942,493.50	109,201.39	25,051,694.89	AA+	0.33
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.56	08-19-25			10,240,000	93.09	9,532,590.08	96.36	9,867,646.67	1,911.47	9,869,558.14	AA+	0.13
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.37	08-25-25			47,475,000	99.53	47,252,817.00	96.19	45,664,824.30	2,967.19	45,667,791.49	AA+	0.60
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.37	08-25-25			7,000,000	91.91	6,433,420.00	96.19	6,733,096.79	437.50	6,733,534.29	AA+	0.09
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.37	08-25-25			50,000,000	92.45	46,227,000.00	96.19	48,093,548.50	3,125.00	48,096,673.50	AA+	0.63
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.37	08-25-25			10,000,000	92.80	9,280,430.00	96.19	9,618,709.70	625.00	9,619,334.70	AA+	0.13
FEDERAL HOME LOAN BANK	4.00	08-28-25	11-28-24	100	25,000,000	99.01	24,753,675.00	99.48	24,871,242.75	8,333.33	24,879,576.08	AA+	0.32
FEDERAL HOME LOAN MORTGAGE CORP	4.05	08-28-25	11-28-24	100	50,000,000	97.78	48,890,650.00	99.53	49,764,985.00	16,875.00	49,781,860.00	AA+	0.65
FEDERAL HOME LOAN BANK	0.37	09-04-25			5,140,000	99.70	5,124,580.00	96.21	4,945,058.20	9,476.87	4,954,535.08	AA+	0.06
FEDERAL HOME LOAN BANK	4.87	09-12-25			15,000,000	99.47	14,920,500.00	100.25	15,037,642.65	343,281.25	15,380,923.90	AA+	0.20
FEDERAL FARM CREDIT BANK	5.00	09-15-25			25,000,000	99.81	24,953,000.00	100.90	25,224,293.75	576,388.89	25,800,682.64	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	0.37	09-23-25			46,035,000	99.70	45,896,434.65	95.96	44,174,401.10	77,204.53	44,251,605.63	AA+	0.58
FEDERAL HOME LOAN MORTGAGE CORP	0.37	09-23-25			10,200,000	99.70	10,169,400.00	95.96	9,787,746.09	17,106.25	9,804,852.34	AA+	0.13
FEDERAL HOME LOAN MORTGAGE CORP	0.37	09-23-25			25,000,000	99.71	24,927,500.00	95.96	23,989,573.75	41,927.08	24,031,500.83	AA+	0.31



SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*August 31, 2024*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN MORTGAGE CORP	0.60	10-20-25			25,000,000	90.00	22,500,525.00	96.14	24,034,153.75	54,583.33	24,088,737.08	AA+	0.31
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.50	11-07-25			18,015,000	99.64	17,950,506.30	95.70	17,239,591.70	28,523.75	17,268,115.45	AA+	0.23
FEDERAL FARM CREDIT BANK	4.87	11-13-25			10,000,000	99.88	9,987,700.00	100.67	10,067,253.90	146,250.00	10,213,503.90	AA+	0.13
FEDERAL HOME LOAN MORTGAGE CORP	5.50	12-16-25	09-16-24	100	13,827,000	100.24	13,860,724.05	99.99	13,825,206.09	158,434.37	13,983,640.46	AA+	0.18
FEDERAL HOME LOAN BANK	5.30	01-22-26	01-22-25	100	25,000,000	100.00	25,000,000.00	100.07	25,017,012.50	143,541.67	25,160,554.17	AA+	0.33
FEDERAL HOME LOAN BANK	5.20	01-27-26	10-27-24	100	16,950,000	100.00	16,950,000.00	100.00	16,949,535.74	83,243.33	17,032,779.07	AA+	0.22
FEDERAL HOME LOAN BANK	0.68	02-24-26	11-24-24	100	10,000,000	91.01	9,101,100.00	94.95	9,495,404.70	1,322.22	9,496,726.92	AA+	0.12
FEDERAL FARM CREDIT BANK	4.50	03-02-26			25,000,000	101.09	25,272,000.00	100.53	25,132,593.75	559,375.00	25,691,968.75	AA+	0.33
FEDERAL FARM CREDIT BANK	3.87	03-30-26			25,000,000	99.38	24,845,000.00	99.74	24,934,822.50	403,645.83	25,338,468.33	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP.	5.20	05-21-26	05-21-25	100	8,000,000	100.00	8,000,000.00	100.25	8,020,097.92	115,555.56	8,135,653.48	AA+	0.10
FEDERAL HOME LOAN MORTGAGE CORP.	5.20	05-21-26	05-21-25	100	25,000,000	100.00	25,000,000.00	100.25	25,062,806.00	361,111.11	25,423,917.11	AA+	0.33
FEDERAL FARM CREDIT BANK	4.00	05-26-26			6,195,000	99.86	6,186,332.10	99.91	6,189,598.64	65,391.67	6,254,990.31	AA+	0.08
FEDERAL FARM CREDIT BANK	4.75	05-28-26			10,000,000	99.82	9,981,600.00	101.10	10,110,334.70	122,708.33	10,233,043.03	AA+	0.13
FEDERAL HOME LOAN BANK	4.00	06-12-26			6,320,000	99.83	6,309,104.50	99.72	6,302,551.36	55,475.56	6,358,026.92	AA+	0.08
FEDERAL HOME LOAN BANK	4.37	06-12-26			9,835,000	98.41	9,678,230.10	100.54	9,887,662.20	94,422.83	9,982,085.03	AA+	0.13
FEDERAL FARM CREDIT BANK	4.25	06-15-26			24,700,000	99.97	24,693,112.48	100.23	24,757,062.93	221,613.89	24,978,676.82	AA+	0.32
FEDERAL HOME LOAN BANK	0.96	06-30-26	09-30-24	100	24,000,000	89.80	21,551,280.00	94.48	22,675,902.00	38,400.00	22,714,302.00	AA+	0.30
FEDERAL FARM CREDIT BANK	0.90	07-01-26			14,500,000	91.16	13,218,200.00	94.55	13,709,973.30	21,387.50	13,731,360.80	AA+	0.18
FEDERAL FARM CREDIT BANK	4.75	07-08-26			4,797,000	99.36	4,766,395.14	101.25	4,857,144.55	33,545.69	4,890,690.23	AA+	0.06
FEDERAL HOME LOAN BANK	0.75	07-27-26			10,000,000	90.58	9,058,000.00	94.04	9,404,427.20	7,083.33	9,411,510.53	AA+	0.12
FEDERAL FARM CREDIT BANK	5.00	07-30-26			34,690,000	99.89	34,652,881.70	101.78	35,308,279.18	144,541.67	35,452,820.84	AA+	0.46
FEDERAL FARM CREDIT BANK	4.50	08-14-26			15,000,000	99.66	14,948,400.00	101.11	15,166,197.30	31,875.00	15,198,072.30	AA+	0.20
FEDERAL FARM CREDIT BANK	4.50	08-14-26			5,000,000	98.73	4,936,350.00	101.11	5,055,399.10	10,625.00	5,066,024.10	AA+	0.07
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.87	09-24-26			6,284,000	94.39	5,931,593.28	95.93	6,028,287.45	51,384.79	6,079,672.24	AA+	0.08
FEDERAL FARM CREDIT BANK	5.18	10-13-26	09-13-24	100	28,000,000	100.00	28,000,000.00	99.98	27,995,293.76	555,986.67	28,551,280.43	AA+	0.37
FEDERAL HOME LOAN BANK	1.25	10-26-26	10-26-24	100	25,000,000	91.35	22,836,500.00	94.24	23,560,101.75	108,506.94	23,668,608.69	AA+	0.31
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-27-26	10-27-24	100	12,650,000	86.91	10,994,115.00	93.45	11,821,747.95	34,857.78	11,856,605.73	AA+	0.15
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-27-26	10-27-24	100	5,000,000	87.68	4,383,950.00	93.45	4,672,627.65	13,777.78	4,686,405.43	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-27-26	10-27-24	100	20,000,000	89.00	17,800,400.00	93.45	18,690,510.60	55,111.11	18,745,621.71	AA+	0.24
FEDERAL HOME LOAN MORTGAGE CORP	0.80	10-28-26			22,767,000	88.78	20,212,770.27	93.39	21,262,721.47	62,229.80	21,324,951.27	AA+	0.28
FEDERAL HOME LOAN MORTGAGE CORP	0.63	12-14-26	09-14-24	100	10,000,000	88.13	8,812,600.00	92.52	9,251,822.80	13,581.94	9,265,404.74	AA+	0.12
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.87	12-18-26	09-18-24	100	8,700,000	88.40	7,690,808.70	93.00	8,091,376.88	15,436.46	8,106,813.34	AA+	0.11
FEDERAL FARM CREDIT BANK	0.70	01-27-27	09-10-24	100	10,000,000	88.81	8,881,200.00	92.42	9,242,035.20	6,611.11	9,248,646.31	AA+	0.12
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.42	04-23-27	04-23-25	100	25,000,000	100.00	25,000,000.00	100.30	25,076,136.75	481,777.78	25,557,914.53	AA+	0.33
FEDERAL FARM CREDIT BANK	5.18	04-30-27	01-30-25	100	6,245,000	100.07	6,249,492.93	100.09	6,250,701.00	107,830.33	6,358,531.33	AA+	0.08
FEDERAL HOME LOAN MORTGAGE CORP	5.00	06-28-27	09-28-24	100	25,000,000	100.00	25,000,000.00	99.91	24,976,427.50	218,750.00	25,195,177.50	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	4.75	07-12-27	07-12-25	100	25,000,000	100.00	25,000,000.00	100.26	25,064,165.50	161,631.94	25,225,797.44	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP.	5.37	07-16-27	07-16-25	100	25,000,000	100.00	25,000,000.00	100.74	25,184,837.25	167,968.75	25,352,806.00	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.12	11-22-27	11-22-24	100	50,000,000	100.00	50,000,000.00	99.87	49,935,321.50	704,687.50	50,640,009.00	AA+	0.65
FEDERAL HOME LOAN BANK	5.40	12-15-27	09-15-24	100	25,000,000	100.00	25,000,000.00	99.88	24,969,228.75	285,000.00	25,254,228.75	AA+	0.33
FEDERAL HOME LOAN BANK	4.55	12-27-27	12-27-24	100	25,000,000	100.00	25,000,000.00	99.43	24,857,455.00	202,222.22	25,059,677.22	AA+	0.32
FEDERAL HOME LOAN BANK	5.00	12-27-27	09-27-24	100	25,000,000	100.00	25,000,000.00	99.91	24,977,311.75	222,222.22	25,199,533.97	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.35	01-06-28	10-06-24	100	25,000,000	100.00	25,000,000.00	99.76	24,940,733.75	204,340.28	25,145,074.03	AA+	0.33
FEDERAL HOME LOAN BANK	5.35	01-12-28	10-12-24	100	25,000,000	100.00	25,000,000.00	99.93	24,981,884.25	182,048.61	25,163,932.86	AA+	0.33
FEDERAL FARM CREDIT BANK	5.14	01-18-28	09-18-24	100	25,000,000	100.00	25,000,000.00	99.82	24,954,702.00	153,486.11	25,108,188.11	AA+	0.33
FEDERAL HOME LOAN BANK	5.10	02-14-28	02-14-25	100	25,000,000	100.00	25,000,000.00	100.31	25,077,178.00	60,208.33	25,137,386.33	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.02	02-16-28	02-16-25	100	10,000,000	100.00	10,000,000.00	99.80	9,980,029.20	20,916.67	10,000,945.87	AA+	0.13
FEDERAL HOME LOAN MORTGAGE CORP	5.02	02-16-28	02-16-25	100	25,000,000	100.00	25,000,000.00	99.80	24,950,073.00	52,291.67	25,002,364.67	AA+	0.33
FEDERAL HOME LOAN BANK	5.00	04-12-28	07-12-25	100	25,000,000	100.00	25,000,000.00	100.63	25,157,936.50	482,638.89	25,640,575.39	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.10	04-17-28	10-17-24	100	25,000,000	100.00	25,000,000.00	99.86	24,964,724.75	474,583.33	25,439,308.08	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.12	04-24-28	10-24-24	100	25,000,000	100.00	25,000,000.00	99.90	24,974,557.25	451,996.53	25,426,553.78	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.10	04-24-28	10-24-24	100	25,000,000	100.00	25,000,000.00	99.92	24,979,198.25	449,791.67	25,428,989.92	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.35	04-28-28	10-28-24	100	25,000,000	100.00	25,000,000.00	99.96	24,989,356.50	0.00	24,989,356.50	AA+	0.33

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*August 31, 2024*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL FARM CREDIT BANK	5.00	06-30-28	06-30-25	100	25,000,000	100.00	25,000,000.00	100.26	25,065,118.25	208,333.33	25,273,451.58	AA+	0.33
FEDERAL HOME LOAN BANK	4.00	06-30-28			10,000,000	99.73	9,973,400.00	100.72	10,071,949.60	66,666.67	10,138,616.27	AA+	0.13
FEDERAL HOME LOAN MORTGAGE CORP.	5.45	07-11-28	07-11-25	100	25,000,000	100.00	25,000,000.00	100.49	25,121,858.00	189,236.11	25,311,094.11	AA+	0.33
FEDERAL HOME LOAN BANK	5.12	07-17-28	07-17-26	100	10,000,000	100.00	10,000,000.00	100.94	10,094,130.50	62,638.89	10,156,769.39	AA+	0.13
FEDERAL HOME LOAN BANK	5.38	07-24-28	07-24-25	100	25,000,000	100.00	25,000,000.00	100.40	25,098,986.75	138,236.11	25,237,222.86	AA+	0.33
FEDERAL FARM CREDIT BANK	4.50	08-28-28			10,000,000	99.98	9,998,000.00	102.46	10,246,456.00	3,750.00	10,250,206.00	AA+	0.13
FEDERAL FARM CREDIT BANK	5.73	09-11-28	09-11-24	100	25,000,000	100.00	25,000,000.00	100.02	25,005,310.00	676,458.33	25,681,768.33	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.00	09-18-28	09-18-24	100	10,000,000	98.91	9,891,300.00	99.97	9,997,278.00	226,388.89	10,223,666.89	AA+	0.13
FEDERAL HOME LOAN BANK	6.00	11-15-28	11-15-24	100	38,200,000	100.00	38,200,000.00	99.92	38,169,937.36	674,866.67	38,844,804.03	AA+	0.50
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.21	02-28-29	02-28-25	100	15,000,000	100.00	15,000,000.00	99.90	14,984,895.45	6,512.50	14,991,407.95	AA+	0.20
FEDERAL FARM CREDIT BANK	4.37	04-10-29			25,000,000	98.54	24,634,267.36	102.52	25,630,000.75	428,385.42	26,058,386.17	AA+	0.33
FEDERAL HOME LOAN BANK	4.90	04-10-29	07-10-26	100	25,000,000	100.00	25,000,000.00	100.30	25,074,822.25	479,791.67	25,554,613.92	AA+	0.33
FEDERAL NATIONAL MORTGAGE ASSOCIATION	4.75	05-15-29	05-15-25	100	10,000,000	99.12	9,912,300.00	100.27	10,026,694.60	139,861.11	10,166,555.71	AA+	0.13
FEDERAL HOME LOAN BANK	5.00	06-12-29	06-12-26	100	15,000,000	100.00	15,000,000.00	100.31	15,046,285.35	164,583.33	15,210,868.68	AA+	0.20
FEDERAL HOME LOAN BANK	5.80	06-27-29	09-27-24	100	25,000,000	100.00	25,000,000.00	99.96	24,990,609.00	257,777.78	25,248,386.78	AA+	0.33
FEDERAL HOME LOAN BANK	5.85	07-02-29	09-02-24	100	25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	239,687.50	25,239,687.50	AA+	0.33
FEDERAL HOME LOAN BANK	5.18	07-02-29	01-02-26	100	25,000,000	100.00	25,000,000.00	100.97	25,241,690.25	212,236.11	25,453,926.36	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.35	07-03-29	07-03-25	100	25,000,000	100.00	25,000,000.00	100.52	25,131,219.25	215,486.11	25,346,705.36	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.05	08-01-29	08-01-25	100	10,000,000	100.00	10,000,000.00	99.97	9,997,444.10	42,083.33	10,039,527.43	AA+	0.13
FEDERAL HOME LOAN BANK	5.25	08-06-29	02-06-25	100	10,000,000	100.03	10,002,916.67	99.94	9,993,648.90	36,458.33	10,030,107.23	AA+	0.13
FEDERAL HOME LOAN BANK	5.15	08-08-29	08-08-25	100	15,000,000	100.00	15,000,000.00	100.15	15,022,944.00	49,354.17	15,072,298.17	AA+	0.20
FEDERAL HOME LOAN BANK	5.12	08-20-29	02-20-25	100	25,000,000	100.00	25,000,000.00	99.65	24,912,533.75	39,149.31	24,951,683.06	AA+	0.33
FEDERAL HOME LOAN MORTGAGE CORP	5.50	08-20-29	11-20-24	100	15,000,000	100.03	15,004,583.33	99.97	14,995,144.20	25,208.33	15,020,352.53	AA+	0.20
					2,957,678,000		2,919,808,143.79		2,931,253,347.17	24,361,839.14	2,955,615,186.31		38.29
<b>US INSTRUMENTALITIES</b>													
INTER-AMERICAN DEVELOPMENT BANK	0.50	09-23-24			24,390,000	99.93	24,371,951.40	99.73	24,324,507.97	53,522.50	24,378,030.47	AAA	0.32
INTER-AMERICAN DEVELOPMENT BANK	0.50	09-23-24			3,889,000	95.00	3,694,713.34	99.73	3,878,557.26	8,534.19	3,887,091.45	AAA	0.05
INTER-AMERICAN DEVELOPMENT BANK	0.50	09-23-24			25,000,000	95.66	23,915,650.00	99.73	24,932,870.00	54,861.11	24,987,731.11	AAA	0.33
INTER-AMERICAN DEVELOPMENT BANK	0.50	09-23-24			19,327,000	95.62	18,481,250.48	99.73	19,275,103.14	42,412.03	19,317,515.17	AAA	0.25
INTER-AMERICAN DEVELOPMENT BANK	0.50	09-23-24			34,716,000	96.08	33,353,744.16	99.73	34,622,980.60	76,182.33	34,698,962.93	AAA	0.45
INTER-AMERICAN DEVELOPMENT BANK	0.50	09-23-24			11,362,000	96.62	10,977,816.69	99.73	11,331,490.76	24,933.28	11,356,424.04	AAA	0.15
INTERNATIONAL BANK RECON & DEVELOP	2.50	11-25-24			25,000,000	97.58	24,393,875.00	99.39	24,847,036.50	166,666.67	25,013,703.17	AAA	0.32
INTER-AMERICAN DEVELOPMENT BANK	2.12	01-15-25			35,000,000	97.48	34,118,700.00	98.94	34,630,464.40	95,034.72	34,725,499.12	AAA	0.45
INTERNATIONAL BANK RECON & DEVELOP	1.62	01-15-25			15,000,000	99.77	14,965,500.00	98.78	14,816,865.90	31,145.83	14,848,011.73	AAA	0.19
INTERNATIONAL BANK RECON & DEVELOP	1.62	01-15-25			25,000,000	97.07	24,268,500.00	98.78	24,694,776.50	51,909.72	24,746,686.22	AAA	0.32
INTERNATIONAL BANK RECON & DEVELOP	0.75	03-11-25			25,000,000	95.52	23,879,800.00	97.93	24,481,704.50	88,541.67	24,570,246.17	AAA	0.32
INTER-AMERICAN DEVELOPMENT BANK	1.75	03-14-25			25,000,000	105.37	26,342,750.00	98.40	24,600,678.50	202,951.39	24,803,629.89	AAA	0.32
INTER-AMERICAN DEVELOPMENT BANK	1.75	03-14-25			25,000,000	96.11	24,028,450.00	98.40	24,600,678.50	202,951.39	24,803,629.89	AAA	0.32
INTER-AMERICAN DEVELOPMENT BANK	1.75	03-14-25			25,000,000	96.04	24,010,625.00	98.40	24,600,678.50	202,951.39	24,803,629.89	AAA	0.32
INTERNATIONAL BANK RECON & DEVELOP	0.62	04-22-25			30,830,000	95.92	29,572,773.15	97.46	30,047,597.18	69,046.35	30,116,643.54	AAA	0.39
INTERNATIONAL BANK RECON & DEVELOP	0.62	04-22-25			25,000,000	96.48	24,119,284.72	97.46	24,365,550.75	55,989.58	24,421,540.33	AAA	0.32
INTERNATIONAL FINANCE CORP	5.12	05-13-25			25,000,000	100.00	25,000,000.00	99.99	24,997,918.75	384,000.00	25,381,918.75	AAA	0.33
INTERNATIONAL FINANCE CORP	5.10	05-28-25			25,000,000	100.00	25,000,000.00	99.98	24,995,607.50	329,375.00	25,324,982.50	AAA	0.33
INTERAMERICAN DEVELOPMENT BANK	0.62	07-15-25			25,000,000	94.62	23,654,250.00	96.73	24,181,555.00	19,965.28	24,201,520.28	AAA	0.32
INTERAMERICAN DEVELOPMENT BANK	0.62	07-15-25			20,059,000	94.75	19,006,103.09	96.73	19,402,312.47	16,019.34	19,418,331.81	AAA	0.25
INTERNATIONAL FINANCE CORP	0.37	07-16-25			8,870,000	93.20	8,267,283.50	96.52	8,561,042.02	4,157.81	8,565,199.84	AAA	0.11
INTERNATIONAL FINANCE CORP	0.37	07-16-25			7,320,000	93.42	6,838,248.84	96.52	7,065,031.30	3,431.25	7,068,462.55	AAA	0.09
INTERNATIONAL FINANCE CORP	0.37	07-16-25			3,900,000	94.73	3,694,353.00	96.52	3,764,156.02	1,828.12	3,765,984.14	AAA	0.05
INTERNATIONAL BANK RECON & DEVELOP	0.37	07-28-25			25,000,000	99.83	24,956,750.00	96.42	24,104,329.75	8,593.75	24,112,923.50	AAA	0.31
INTERNATIONAL BANK RECON & DEVELOP	0.37	07-28-25			18,865,000	93.01	17,546,298.77	96.42	18,189,127.23	6,484.84	18,195,612.07	AAA	0.24
INTERNATIONAL BANK RECON & DEVELOP	2.50	07-29-25			25,000,000	96.77	24,193,000.00	98.26	24,565,970.50	55,555.56	24,621,526.06	AAA	0.32
INTERNATIONAL BANK RECON & DEVELOP	2.50	07-29-25			25,000,000	96.67	24,168,025.00	98.26	24,565,970.50	55,555.56	24,621,526.06	AAA	0.32

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
August 31, 2024

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
INTERNATIONAL BANK RECON & DEVELOP	2.50	07-29-25			14,139,000	96.76	13,681,264.01	98.26	13,893,530.28	31,420.00	13,924,950.28	AAA	0.18
INTERNATIONAL FINANCE CORP	3.62	09-15-25			40,000,000	97.33	38,931,600.00	99.22	39,689,261.60	668,611.11	40,357,872.71	AAA	0.52
INTERNATIONAL FINANCE CORP	3.62	09-15-25			6,675,000	98.76	6,592,547.06	99.22	6,623,145.53	111,574.48	6,734,720.01	AAA	0.09
INTERNATIONAL BANK RECON & DEVELOP	0.50	10-28-25			20,000,000	100.11	20,023,000.00	95.72	19,144,488.20	34,166.67	19,178,654.87	AAA	0.25
INTERAMERICAN DEVELOPMENT BANK	5.12	11-17-26	11-17-25	100	26,500,000	101.79	26,974,460.42	100.62	26,665,425.72	1,071,409.72	27,736,835.44	AAA	0.35
INTERNATIONAL BANK RECON & DEVELOP	4.75	12-22-26	12-22-25	100	25,000,000	99.15	24,787,000.00	101.42	25,355,682.00	204,513.89	25,560,195.89	AAA	0.33
INTER-AMERICAN DEVELOPMENT BANK	1.50	01-13-27			15,000,000	99.69	14,954,100.00	94.52	14,178,384.75	18,750.00	14,197,134.75	AAA	0.19
INTER-AMERICAN DEVELOPMENT BANK	1.50	01-13-27			4,650,000	99.67	4,634,887.50	94.52	4,395,299.27	5,812.50	4,401,111.77	AAA	0.06
INTERNATIONAL FINANCE CORP	4.37	01-15-27			17,145,000	99.67	17,089,107.30	100.93	17,303,884.43	95,845.31	17,399,729.74	AAA	0.23
INTERNATIONAL FINANCE CORP	4.37	01-15-27			16,000,000	100.64	16,101,952.00	100.93	16,148,273.60	89,444.44	16,237,718.04	AAA	0.21
INTER-AMERICAN DEVELOPMENT BANK	4.37	02-01-27			10,000,000	100.62	10,061,520.00	100.96	10,095,809.40	36,458.33	10,132,267.73	AAA	0.13
INTERNATIONAL BANK RECON & DEVELOP	0.85	02-10-27	11-10-24	100	3,312,000	92.51	3,063,987.69	92.29	3,056,799.93	1,642.20	3,058,442.13	AAA	0.04
INTER-AMERICAN DEVELOPMENT BANK	2.98	06-10-27			12,000,000	94.77	11,372,160.00	97.24	11,668,596.60	80,460.00	11,749,056.60	AAA	0.15
INTERNATIONAL FINANCE CORP	4.00	01-08-29			15,000,000	99.81	14,971,050.00	100.70	15,104,278.20	88,333.33	15,192,611.53	AAA	0.20
INTERNATIONAL FINANCE CORP	4.05	01-10-29			10,000,000	100.00	10,000,000.00	100.89	10,089,398.30	57,375.00	10,146,773.30	AAA	0.13
INTER-AMERICAN DEVELOPMENT BANK	4.12	02-15-29			25,000,000	98.88	24,721,000.00	101.29	25,322,219.00	45,833.33	25,368,052.33	AAA	0.33
INTERNATIONAL BANK RECON & DEVELOP	5.50	03-05-29	03-05-25	100	15,000,000	100.00	15,000,000.00	100.46	15,069,280.65	396,458.33	15,465,738.98	AAA	0.20
INTERNATIONAL BANK RECON & DEVELOP	5.50	03-05-29	03-05-25	100	25,000,000	100.00	25,000,000.00	100.46	25,115,467.75	660,763.89	25,776,231.64	AAA	0.33
INTERNATIONAL BANK RECON & DEVELOP	5.50	03-05-29	03-05-25	100	25,000,000	100.02	25,003,819.44	100.46	25,115,467.75	660,763.89	25,776,231.64	AAA	0.33
					908,949,000		889,783,151.56		898,479,054.96	6,672,237.11	905,151,292.06		11.74
<b>CORPORATE BONDS</b>													
JOHN DEERE CAPITAL CORP	0.62	09-10-24			4,045,000	99.93	4,042,370.75	99.91	4,041,190.99	12,008.59	4,053,199.58	A	0.05
NESTLE HOLDINGS INC.-A	0.61	09-14-24			7,275,000	100.00	7,275,000.00	99.83	7,262,937.76	20,451.24	7,283,389.00	AA-	0.09
BANK OF NY MELLON CORP.	2.10	10-24-24			10,785,000	100.44	10,832,454.00	99.55	10,736,818.12	79,898.87	10,816,717.00	A	0.14
BANK OF NY MELLON CORP	0.85	10-25-24	09-25-24	100	8,915,000	99.93	8,909,205.25	99.34	8,855,876.79	26,522.12	8,882,398.91	A	0.12
PNC FINANCIAL SERVICES	2.20	11-01-24	10-02-24	100	5,000,000	99.97	4,998,350.00	99.44	4,972,141.95	36,666.67	5,008,808.62	A-	0.06
PNC FINANCIAL SERVICES	2.20	11-01-24	10-02-24	100	10,000,000	99.74	9,973,800.00	99.44	9,944,283.90	73,333.33	10,017,617.23	A-	0.13
CATERPILLAR FINL SERVICE	2.15	11-08-24			10,000,000	99.80	9,979,800.00	99.43	9,942,752.80	67,486.11	10,010,238.91	A	0.13
CATERPILLAR FINL SERVICE	2.15	11-08-24			25,000,000	100.22	25,055,500.00	99.43	24,856,882.00	168,715.28	25,025,597.28	A	0.32
JOHN DEERE CAPITAL CORP	2.05	01-09-25			12,000,000	100.08	12,010,080.00	98.92	11,870,476.44	35,533.33	11,906,009.77	A	0.16
JOHN DEERE CAPITAL CORP	1.25	01-10-25			5,480,000	99.95	5,477,424.40	98.62	5,404,500.89	9,704.17	5,414,205.06	A	0.07
COOPERATIEVE RABOBANK UA	5.00	01-13-25			10,000,000	99.98	9,998,500.00	99.95	9,995,119.50	66,666.67	10,061,786.17	A+	0.13
JP MORGAN CHASE & CO	3.12	01-23-25	10-23-24	100	7,500,000	106.13	7,959,975.00	99.23	7,442,242.50	24,739.58	7,466,982.08	A-	0.10
PACCAR FINANCIAL CORP	1.80	02-06-25			5,450,000	104.51	5,695,849.50	98.63	5,375,205.02	6,812.50	5,382,017.52	A+	0.07
NATIONAL RURAL UTIL COOP	1.87	02-07-25			2,875,000	100.00	2,874,913.75	98.60	2,834,634.05	3,593.75	2,838,227.80	A-	0.04
NATIONAL RURAL UTIL COOP	1.87	02-07-25			5,000,000	95.61	4,780,400.00	98.60	4,929,798.35	6,250.00	4,936,048.35	A-	0.06
TOYOTA MOTOR CREDIT CORP.	1.80	02-13-25			7,000,000	100.98	7,068,390.00	98.58	6,900,322.03	6,300.00	6,906,622.03	A+	0.09
AMERICAN EXPRESS CO	2.25	03-04-25	02-03-25	100	3,485,000	99.90	3,481,480.15	98.62	3,436,801.75	38,552.81	3,475,354.57	BBB+	0.04
ROCHE HOLDINGS INC	2.13	03-10-25	02-10-25	100	8,620,000	100.00	8,620,000.00	98.53	8,493,135.75	87,294.74	8,580,430.49	AA	0.11
EXXON MOBIL CORPORATION	2.99	03-19-25	02-19-25	100	10,000,000	109.28	10,927,700.00	98.94	9,894,420.30	134,640.00	10,029,060.30	AA-	0.13
BMW US CAPITAL LLC	3.90	04-09-25	03-09-25	100	5,000,000	109.91	5,495,700.00	99.35	4,967,429.35	76,916.67	5,044,346.02	A	0.06
AMAZON.COM INC	3.00	04-13-25			25,090,000	99.84	25,050,106.90	98.96	24,828,716.75	288,535.00	25,117,251.75	AA	0.32
HOME DEPOT INC	2.70	04-15-25	03-15-25	100	1,040,000	99.82	1,038,180.00	98.71	1,026,603.09	10,608.00	1,037,211.09	A	0.01
TRUIST FINANCIAL CORP	4.00	05-01-25	03-01-25	100	10,000,000	113.41	11,340,800.00	99.26	9,925,766.90	133,333.33	10,059,100.23	A-	0.13
APPLE INC	3.20	05-13-25			5,000,000	111.44	5,571,950.00	99.07	4,953,252.60	48,000.00	5,001,252.60	AA+	0.06
CATERPILLAR FINL SERVICE	3.40	05-13-25			7,505,000	99.87	7,495,468.65	99.12	7,439,247.64	76,551.00	7,515,798.64	A	0.10
CATERPILLAR FINL SERVICE	3.40	05-13-25			5,000,000	99.95	4,997,700.00	99.12	4,956,194.30	51,000.00	5,007,194.30	A	0.06
GOLDMAN SACHS GROUP INC (A)	3.75	05-22-25	02-22-25	100	9,000,000	111.69	10,052,100.00	99.04	8,913,551.76	92,812.50	9,006,364.26	BBB+	0.12
BMW US CAPITAL LLC	5.30	08-11-25			10,000,000	99.95	9,994,700.00	100.59	10,058,706.30	29,444.44	10,088,150.74	A	0.13
BRISTOL-MYERS SQUIBB CO	3.87	08-15-25	05-15-25	100	5,393,000	114.28	6,163,336.12	99.34	5,357,469.89	9,287.94	5,366,757.84	A	0.07
BANK OF AMERICA CORP	3.09	10-01-25	10-01-24	100	8,200,000	96.32	7,898,158.00	99.80	8,183,703.48	105,677.50	8,289,380.98	A-	0.11
PACCAR FINANCIAL CORP	4.95	10-03-25			2,500,000	99.93	2,498,150.00	100.37	2,509,265.12	50,875.00	2,560,140.12	A+	0.03

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
*August 31, 2024*

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
MORGAN STANLEY	1.16	10-21-25	10-21-24	100	6,085,000	100.00	6,085,000.00	99.40	6,048,301.24	25,577.28	6,073,878.53	A-	0.08
NATIONAL AUSTRALIA BK/NY	4.97	01-12-26			16,780,000	100.00	16,780,000.00	100.66	16,891,084.94	113,420.68	17,004,505.62	AA-	0.22
CITIGROUP INC	2.01	01-25-26	01-25-25	100	4,950,000	100.00	4,950,000.00	98.63	4,882,081.30	9,969.30	4,892,050.60	BBB+	0.06
CITIGROUP INC	2.01	01-25-26	01-25-25	100	10,000,000	96.65	9,665,100.00	98.63	9,862,790.50	20,140.00	9,882,930.50	BBB+	0.13
MORGAN STANLEY	2.63	02-18-26	02-18-25	100	11,695,000	100.00	11,695,000.00	98.78	11,552,798.74	11,107.00	11,563,905.74	A-	0.15
MORGAN STANLEY	2.63	02-18-26	02-18-25	100	7,000,000	100.05	7,003,780.00	98.78	6,914,885.95	6,648.06	6,921,534.01	A-	0.09
ROCHE HOLDINGS INC	0.99	03-05-26	02-05-26	100	15,000,000	90.83	13,624,350.00	95.26	14,288,498.85	72,673.33	14,361,172.18	AA	0.19
JPMORGAN CHASE & CO	3.30	04-01-26	01-02-26	100	13,000,000	95.09	12,361,570.00	98.17	12,762,607.78	178,750.00	12,941,357.78	A-	0.17
BANK OF AMERICA CORP	3.50	04-19-26			6,000,000	96.92	5,815,500.00	98.44	5,906,141.10	77,000.00	5,983,141.10	A-	0.08
CITIBANK NA	5.44	04-30-26	03-30-26	100	7,535,000	100.00	7,535,000.00	101.45	7,644,182.23	136,584.43	7,780,766.66	A+	0.10
AMAZON.COM INC	1.00	05-12-26	04-12-26	100	10,000,000	88.95	8,895,200.00	94.87	9,486,676.10	30,277.78	9,516,953.88	AA	0.12
ASTRAZENECA FINANCE LLC	1.20	05-28-26			4,500,000	100.71	4,532,040.00	94.87	4,268,954.52	13,950.00	4,282,904.52	A	0.06
TOYOTA MOTOR CREDIT CORP	1.12	06-18-26			5,815,000	99.78	5,802,090.70	94.53	5,496,947.06	13,265.47	5,510,212.53	A+	0.07
STATE STREET CORP	5.27	08-03-26	07-06-26	100	17,000,000	100.02	17,004,080.00	101.56	17,265,019.97	69,707.56	17,334,727.53	A	0.23
MICROSOFT CORP	2.40	08-08-26	05-08-26	100	10,000,000	94.11	9,411,100.00	96.90	9,689,709.50	15,333.33	9,705,042.83	AAA	0.13
TOYOTA MOTOR CREDIT CORP	5.00	08-14-26			7,500,000	100.19	7,514,250.00	101.29	7,596,531.37	17,708.33	7,614,239.71	A+	0.10
BANK OF NY MELLON CORP	2.45	08-17-26	05-17-26	100	5,000,000	104.40	5,219,850.00	96.44	4,821,814.70	4,763.89	4,826,578.59	A	0.06
AMERICAN HONDA FINANCE	1.30	09-09-26			4,200,000	96.77	4,064,466.00	94.12	3,952,931.98	26,086.67	3,979,018.64	A-	0.05
JP MORGAN CHASE & CO	2.95	10-01-26	07-01-26	100	5,000,000	105.75	5,287,700.00	97.24	4,861,791.65	61,458.33	4,923,249.98	A-	0.06
JP MORGAN CHASE & CO	2.95	10-01-26	07-01-26	100	5,000,000	105.74	5,287,250.00	97.24	4,861,791.65	61,458.33	4,923,249.98	A-	0.06
JP MORGAN CHASE & CO	2.95	10-01-26	07-01-26	100	10,000,000	93.45	9,344,700.00	97.24	9,723,583.30	122,916.67	9,846,499.97	A-	0.13
CITIGROUP INC	3.20	10-21-26	07-21-26	100	10,000,000	92.89	9,289,100.00	97.30	9,729,587.80	115,555.56	9,845,143.36	BBB+	0.13
HONEYWELL INTERNATIONAL	2.50	11-01-26	09-01-26	100	4,473,000	93.43	4,179,213.36	96.53	4,317,581.72	37,275.00	4,354,856.72	A	0.06
AMERICAN EXPRESS CO	1.65	11-04-26	10-04-26	100	5,000,000	99.29	4,964,450.00	94.27	4,713,265.30	26,812.50	4,740,077.80	BBB+	0.06
AMERICAN EXPRESS CO	1.65	11-04-26	10-04-26	100	10,000,000	94.49	9,449,300.00	94.27	9,426,530.60	53,625.00	9,480,155.60	BBB+	0.12
NATIONAL RURAL UTIL COOP	5.60	11-13-26	10-13-26	100	1,690,000	99.96	1,689,408.50	102.35	1,729,743.44	28,392.00	1,758,135.44	A-	0.02
TOYOTA MOTOR CREDIT CORP	5.40	11-20-26			10,000,000	100.45	10,045,300.00	102.21	10,220,741.50	151,500.00	10,372,241.50	A+	0.13
CITIBANK NA	5.49	12-04-26	11-04-26	100	11,525,000	100.00	11,525,000.00	102.27	11,786,380.43	152,852.23	11,939,232.66	A+	0.15
TARGET CORP	1.95	01-15-27	12-15-26	100	1,770,000	99.83	1,766,991.00	95.45	1,689,447.09	4,410.25	1,693,857.34	A	0.02
TARGET CORP	1.95	01-15-27	12-15-26	100	13,700,000	100.23	13,731,373.00	95.45	13,076,511.36	34,135.83	13,110,647.19	A	0.17
BANK OF NY MELLON CORP	2.05	01-26-27			10,000,000	100.12	10,012,100.00	95.19	9,518,914.80	19,930.56	9,538,845.36	A	0.12
GOLDMAN SACHS GROUP INC	3.85	01-26-27	01-26-26	100	9,500,000	96.43	9,160,470.00	98.56	9,363,195.25	35,559.03	9,398,754.28	BBB+	0.12
JP MORGAN CHASE & CO	1.04	02-04-27	02-04-26	100	5,000,000	89.02	4,451,200.00	95.02	4,751,022.70	3,900.00	4,754,922.70	A-	0.06
IBM CORP	2.20	02-09-27	01-09-27	100	5,000,000	98.63	4,931,400.00	95.02	4,751,105.60	6,722.22	4,757,827.82	A-	0.06
IBM CORP	2.20	02-09-27	01-09-27	100	5,000,000	90.58	4,528,950.00	95.02	4,751,105.60	6,722.22	4,757,827.82	A-	0.06
HONEYWELL INTERNATIONAL	1.10	03-01-27			10,000,000	95.31	9,531,400.00	92.82	9,282,397.90	55,000.00	9,337,397.90	A	0.12
HONEYWELL INTERNATIONAL	1.10	03-01-27			18,000,000	89.76	16,156,800.00	92.82	16,708,316.22	99,000.00	16,807,316.22	A	0.22
TRUIST FINANCIAL CORP	1.27	03-02-27			10,000,000	93.96	9,396,000.00	94.54	9,454,034.10	62,998.06	9,517,032.16	A-	0.12
STATE STREET CORP	4.99	03-18-27	02-18-27	100	5,695,000	100.00	5,695,000.00	101.59	5,785,395.03	128,747.97	5,914,143.00	A	0.08
COMCAST CORP	3.30	04-01-27			10,000,000	100.83	10,083,300.00	97.56	9,756,211.40	137,500.00	9,893,711.40	A-	0.13
AMAZON.COM INC	3.30	04-13-27	03-13-27	100	10,000,000	98.95	9,895,400.00	98.02	9,802,348.90	126,500.00	9,928,848.90	AA	0.13
NORTHERN TRUST CORP	4.00	05-10-27	04-10-27	100	12,311,000	101.42	12,485,816.20	99.56	12,256,530.72	151,835.67	12,408,366.39	A+	0.16
UNITED HEALTH GROUP INC	3.70	05-15-27	04-15-27	100	300,000	99.95	299,838.00	98.91	296,715.12	3,268.33	299,983.45	A+	0.00
MICROSOFT CORP	3.40	06-15-27	03-15-27	100	25,000,000	96.46	24,114,472.22	98.56	24,640,063.75	179,444.44	24,819,508.19	AAA	0.32
BLACKROCK FUNDING INC	4.60	07-26-27	06-26-27	100	3,310,000	100.00	3,309,900.70	101.42	3,357,139.56	14,803.06	3,371,942.62	AA	0.04
IBM CORP	4.15	07-27-27	06-27-27	100	10,000,000	97.84	9,783,900.00	99.63	9,963,289.70	39,194.44	10,002,484.14	A-	0.13
UNILEVER CAPITAL CORP	4.25	08-12-27	07-12-27	100	1,705,000	99.73	1,700,447.65	100.37	1,711,240.45	3,824.41	1,715,064.86	A+	0.02
UNILEVER CAPITAL CORP	4.25	08-12-27	07-12-27	100	4,700,000	99.66	4,683,832.00	100.37	4,717,202.42	10,542.36	4,727,744.78	A+	0.06
HOME DEPOT INC	2.80	09-14-27	06-14-27	100	5,000,000	93.30	4,665,100.00	96.21	4,810,259.10	64,944.44	4,875,203.54	A	0.06
BANK OF AMERICA CORP	3.25	10-21-27	10-21-26	100	6,000,000	94.08	5,644,860.00	96.94	5,816,239.74	70,373.33	5,886,613.07	A-	0.08
GOLDMAN SACHS GROUP INC	1.95	10-21-27	10-21-27	100	7,800,000	89.18	6,955,728.00	94.47	7,368,306.43	54,868.67	7,423,175.09	BBB+	0.10
JPMORGAN CHASE & CO	6.07	10-22-27	10-22-26	100	10,000,000	100.08	10,007,900.00	103.26	10,325,588.90	217,508.33	10,543,097.23	A-	0.13
TEXAS INSTRUMENT INC	2.90	11-03-27	08-03-27	100	10,000,000	93.49	9,349,400.00	96.34	9,633,777.90	95,055.56	9,728,833.46	A+	0.13

SAN MATEO COUNTY TREASURER'S OFFICE  
**PORTFOLIO APPRAISAL**  
**SAN MATEO COUNTY POOL**  
August 31, 2024

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
COMCAST CORP	5.35	11-15-27	10-15-27	100	4,860,000	102.23	4,968,475.20	103.20	5,015,749.98	76,558.50	5,092,308.48	A-	0.07
COMCAST CORP	5.35	11-15-27	10-15-27	100	5,000,000	102.65	5,132,700.00	103.20	5,160,236.60	78,763.89	5,239,000.49	A-	0.07
UNITED PARCEL SERVICE	3.05	11-15-27	08-15-27	100	10,000,000	93.64	9,363,600.00	96.47	9,646,863.70	89,805.56	9,736,669.26	A	0.13
STATE STREET CORP	1.68	11-18-27	11-18-26	100	15,000,000	89.42	13,412,700.00	94.42	14,163,210.45	72,271.67	14,235,482.12	A	0.19
TOYOTA MOTOR CREDIT CORP	4.62	01-12-28			10,000,000	99.19	9,918,900.00	101.06	10,105,746.60	62,951.39	10,168,697.99	A+	0.13
JOHN DEERE CAPITAL CORP	4.75	01-20-28			5,000,000	101.61	5,080,500.00	101.64	5,082,142.95	27,048.61	5,109,191.56	A	0.07
HONEYWELL INTERNATIONAL	4.95	02-15-28	01-15-28	100	10,000,000	102.25	10,224,900.00	102.99	10,299,327.40	22,000.00	10,321,327.40	A	0.13
NESTLE HOLDINGS INC	5.00	03-14-28	02-14-28	100	10,000,000	101.56	10,156,500.00	102.53	10,252,605.70	231,944.44	10,484,550.14	AA-	0.13
NATIONAL RURAL UTIL COOP	4.80	03-15-28	02-15-28	100	10,000,000	99.37	9,937,300.00	101.32	10,132,279.60	221,333.33	10,353,612.93	A-	0.13
WALMART INC	3.90	04-15-28	03-15-28	100	18,000,000	99.34	17,882,100.00	99.76	17,957,632.32	265,200.00	18,222,832.32	AA	0.23
BANK OF AMERICA CORP	4.38	04-27-28	04-27-27	100	10,000,000	95.94	9,594,000.00	99.45	9,944,853.30	150,728.89	10,095,582.19	A-	0.13
BANK OF NEW YORK MELLON CORP	3.85	04-28-28			10,000,000	96.90	9,690,100.00	98.81	9,880,930.60	131,541.67	10,012,472.27	A	0.13
APPLE INC	4.00	05-10-28	04-10-28	100	25,000,000	99.81	24,951,750.00	100.34	25,085,883.50	308,333.33	25,394,216.83	AA+	0.33
AMAZON.COM INC	1.65	05-12-28	03-12-28	100	17,000,000	88.58	15,058,600.00	91.79	15,603,949.46	84,929.17	15,688,878.63	AA	0.20
MORGAN STANLEY BANK NA	5.50	05-26-28	05-26-27	100	16,000,000	100.15	16,024,160.00	102.50	16,400,273.60	232,391.11	16,632,664.71	A+	0.21
AMERICAN HONDA FINANCE	5.12	07-07-28			10,000,000	100.48	10,047,600.00	102.62	10,262,089.90	76,875.00	10,338,964.90	A-	0.13
JOHN DEERE CAPITAL CORP	4.95	07-14-28			8,000,000	100.82	8,065,600.00	102.58	8,206,506.32	51,700.00	8,258,206.32	A	0.11
MORGAN STANLEY	3.59	07-22-28	07-22-27	100	10,500,000	93.04	9,769,200.00	97.20	10,206,297.88	40,847.62	10,247,145.51	A-	0.13
PACCAR FINANCIAL CORP	4.95	08-10-28			5,000,000	100.83	5,041,300.00	102.53	5,126,433.60	14,437.50	5,140,871.10	A+	0.07
BMW US CAPITAL LLC	5.05	08-11-28	07-11-28	100	10,000,000	99.99	9,999,500.00	101.95	10,194,963.40	28,055.56	10,223,018.96	A	0.13
UNILEVER CAPITAL CORP	4.87	09-08-28	08-08-28	100	10,000,000	97.93	9,793,200.00	102.34	10,233,803.70	234,270.83	10,468,074.53	A+	0.13
CITIBANK NA	5.80	09-29-28	08-29-28	100	15,000,000	100.30	15,044,850.00	104.94	15,741,313.20	367,523.33	16,108,836.53	A+	0.21
ANALOG DEVICES INC	1.70	10-01-28	08-01-28	100	10,000,000	83.92	8,392,100.00	90.78	9,078,111.00	70,833.33	9,148,944.33	A-	0.12
ANALOG DEVICES INC	1.70	10-01-28	08-01-28	100	10,000,000	83.94	8,394,400.00	90.78	9,078,111.00	70,833.33	9,148,944.33	A-	0.12
AMERICAN HONDA FINANCE	5.65	11-15-28			15,000,000	99.98	14,997,450.00	104.96	15,744,465.45	249,541.67	15,994,007.12	A-	0.21
COOPERATIEVE RABOBANK UA/NY	4.80	01-09-29			25,000,000	99.92	24,981,250.00	101.88	25,471,102.25	173,333.33	25,644,435.58	A+	0.33
COOPERATIEVE RABOBANK UA/NY	4.80	01-09-29			4,400,000	99.91	4,396,128.00	101.88	4,482,914.00	30,506.67	4,513,420.66	A+	0.06
PACCAR FINANCIAL CORP	4.60	01-31-29			8,835,000	99.84	8,820,598.95	101.44	8,962,307.05	33,867.50	8,996,174.55	A+	0.12
AIR PRODUCTS & CHEMICALS	4.60	02-08-29	01-08-29	100	18,185,000	99.87	18,160,813.95	101.68	18,491,322.32	53,443.69	18,544,766.02	A	0.24
TEXAS INSTRUMENTS INC	4.60	02-08-29	01-08-29	100	11,805,000	99.89	11,792,486.70	102.00	12,041,373.17	34,693.58	12,076,066.75	A+	0.16
BLACKROCK FUNDING INC	4.70	03-14-29	02-14-29	100	1,785,000	99.82	1,781,769.15	102.18	1,823,969.91	38,917.96	1,862,887.86	AA-	0.02
JOHNSON & JOHNSON	4.80	06-01-29	05-01-29	100	21,000,000	101.09	21,229,950.00	103.42	21,719,017.11	252,000.00	21,971,017.11	AAA	0.28
TOYOTA MOTOR CREDIT CORP	4.55	08-09-29			5,000,000	99.99	4,999,350.00	100.84	5,042,037.25	13,902.78	5,055,940.03	A+	0.07
TOYOTA MOTOR CREDIT CORP	4.55	08-09-29			1,100,000	99.80	1,097,767.00	100.84	1,109,248.19	3,058.61	1,112,306.81	A+	0.01
BMW US CAPITAL LLC	4.65	08-13-29	07-13-29	100	9,250,000	100.45	9,291,894.79	100.55	9,301,052.97	21,506.25	9,322,559.22	A	0.12
					1,082,417,000		1,066,412,413.54		1,071,646,888.48	9,075,759.19	1,080,722,647.68		14.00
<b>MONEY MARKET FUNDS</b>													
DREYFUS-713762	0.00	09-01-24			0	100.00	0.03	100.00	0.03	0.00	0.03	AAA	0.00
DREYFUS-715757	0.00	09-01-24			28,344,397	100.00	28,344,396.54	100.00	28,344,396.54	6.70	28,344,403.24	AAA	0.37
					28,344,397		28,344,396.57		28,344,396.57	6.70	28,344,403.27		0.37
<b>ASSET BACKED SECURITIES</b>													
KUBOTA CREDIT OWNER TRUST 2021-A1 A3	0.62	08-15-25			187,572	99.98	187,533.40	99.72	187,046.58	51.69	187,098.27	NR	0.00
VW AUTO LOAN ENHANCED TRUST 2021-I A3	1.02	06-22-26			1,064,030	100.00	1,063,988.74	98.66	1,049,772.44	331.62	1,050,104.06	AAA	0.01
DISCOVER CARD EXECUTION NT 2021-A1 A1	0.58	09-15-26			8,325,000	99.98	8,323,217.62	99.79	8,307,517.50	2,146.00	8,309,663.50	AAA	0.11
GM FINL CONSMR AUTO RCVBL TRST 2021-4 A3	0.68	09-16-26	08-16-25	100	868,129	100.00	868,106.69	98.17	852,242.07	245.97	852,488.04	AAA	0.01
HYUNDAI AUTO RECVBL TRUST 2022-A A3	2.22	10-15-26	04-15-26	100	5,808,405	100.00	5,808,181.20	98.51	5,721,859.59	5,730.96	5,727,590.55	AAA	0.07
WORLD OMNI AUTO RCVBL TR 2021-D A3	0.81	10-15-26	08-15-25	100	1,173,902	99.99	1,173,742.48	98.36	1,154,650.37	422.60	1,155,072.98	AAA	0.02
CAPITAL ONE MULTI-ASSET EXEC. TRUST	1.04	11-15-26			7,170,000	99.99	7,169,011.97	99.12	7,106,904.00	3,314.13	7,110,218.13	AAA	0.09
					24,597,038		24,593,782.11		24,379,992.55	12,242.98	24,392,235.53		0.32

SAN MATEO COUNTY TREASURER'S OFFICE  
 PORTFOLIO APPRAISAL  
**SAN MATEO COUNTY POOL**  
 August 31, 2024

Security	Coupon	Mature Date	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
<b>MUNICIPAL BONDS</b>													
UNIV OF CALIFORNIA REVS 2013-AG TXBL	3.05	05-15-25			2,950,000	109.67	3,235,206.00	98.76	2,913,449.50	26,492.64	2,939,942.14	AA	0.04
LOS ANGELES CCD SR 2020	0.77	08-01-25			6,735,000	100.00	6,735,000.00	96.57	6,503,720.10	4,338.46	6,508,058.56	AA+	0.08
					9,685,000		9,970,206.00		9,417,169.60	30,831.10	9,448,000.70		0.12
<b>TOTAL PORTFOLIO</b>					<b>7,778,185,435</b>		<b>7,647,321,635.62</b>		<b>7,654,764,249.33</b>	<b>62,504,032.33</b>	<b>7,717,268,281.66</b>		<b>100.00</b>

\*\* TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MARKET PRICES ARE DOWNLOADED THROUGH (IDC) INTERACTIVE DATA CORP.

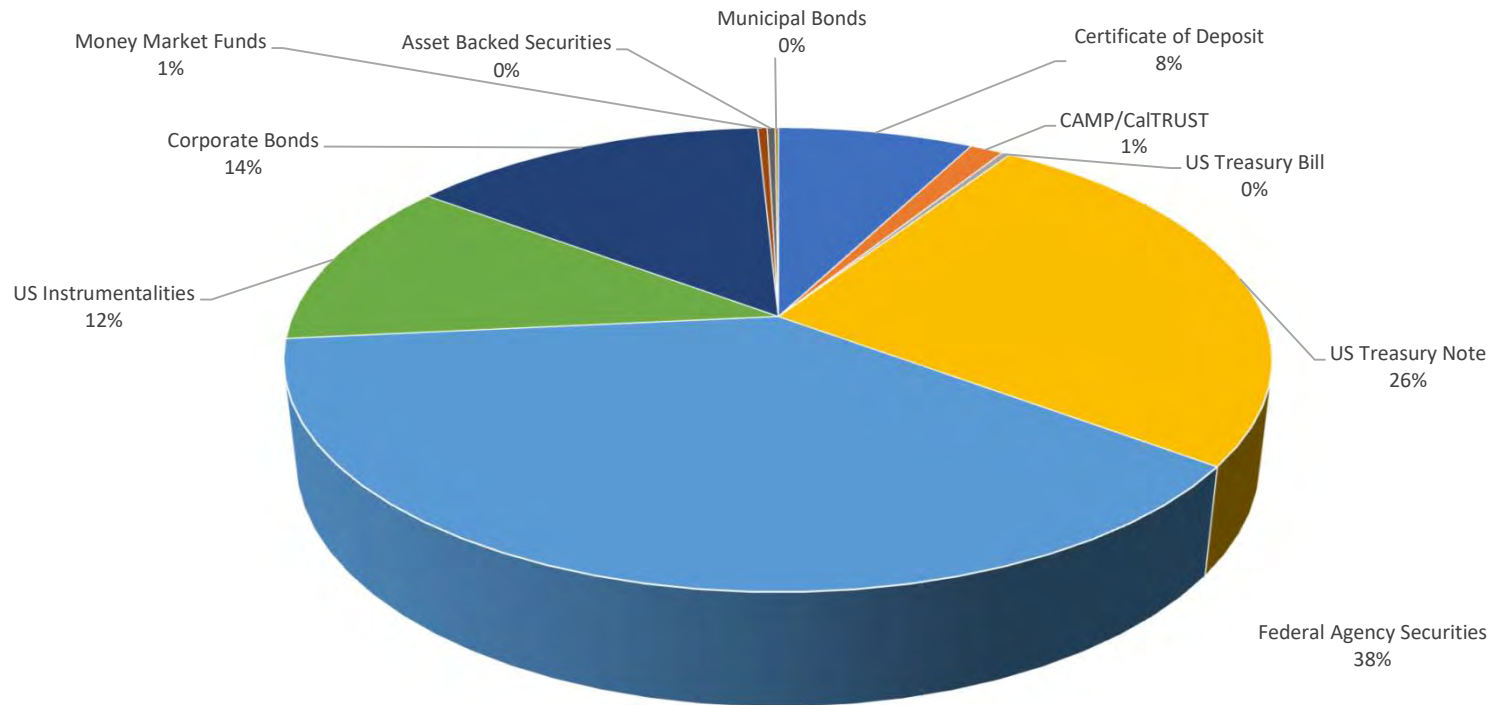
## DIVERSIFICATION BY ISSUER

31-Aug-24	Asset-Backed	Certificate of Deposit	Commercial Paper	Corporate Bonds	Municipal Bonds	Total Par Value	Total %
Air Products & Chemicals				\$18,185,000		\$18,185,000	0.27%
Amazon.com Inc				\$62,090,000		\$62,090,000	0.91%
American Express				\$18,485,000		\$18,485,000	0.27%
American Honda Finance				\$29,200,000		\$29,200,000	0.43%
Analog Devices INC				\$20,000,000		\$20,000,000	0.29%
Apple Inc.				\$30,000,000		\$30,000,000	0.44%
Astrazeneca Finance LLC				\$4,500,000		\$4,500,000	0.07%
Bank of America				\$30,200,000		\$30,200,000	0.44%
Bank Of Montreal		\$40,000,000		\$40,000,000		\$40,000,000	0.58%
Bank of New York				\$44,700,000		\$44,700,000	0.65%
Bank of Nova Scotia Houston		\$20,000,000		\$20,000,000		\$20,000,000	0.29%
Blackrock Funding Inc.				\$5,095,000		\$5,095,000	0.07%
BMW				\$34,250,000		\$34,250,000	0.50%
BNP Paribas NY Branch		\$50,000,000		\$50,000,000		\$50,000,000	0.73%
Bristol-Myers Squibb Co				\$5,393,000		\$5,393,000	0.08%
Capital One Multi Asset Exectn Trust	\$7,170,000			\$7,170,000		\$7,170,000	0.10%
Caterpillar				\$47,505,000		\$47,505,000	0.69%
CitiGroup				\$59,010,000		\$59,010,000	0.86%
Comcast Corp				\$19,860,000		\$19,860,000	0.29%
Cooperatieve Rabobank		\$86,000,000		\$125,400,000		\$125,400,000	1.83%
Credit Agricole CIB NY		\$45,000,000		\$45,000,000		\$45,000,000	0.66%
Credit Industriel ET Commercial NY		\$84,900,000		\$84,900,000		\$84,900,000	1.24%
Discover Card Execution Note	\$8,325,000			\$8,325,000		\$8,325,000	0.12%
Exxon Mobil				\$10,000,000		\$10,000,000	0.15%
General Motors	\$868,129			\$868,129		\$868,129	0.01%
Goldman Sachs				\$26,300,000		\$26,300,000	0.38%
Home Depot Inc				\$6,040,000		\$6,040,000	0.09%
Honeywell International				\$42,473,000		\$42,473,000	0.62%
Hyundai	\$5,808,405			\$5,808,405		\$5,808,405	0.08%
IBM Corp.				\$20,000,000		\$20,000,000	0.29%
John Deere				\$34,525,000		\$34,525,000	0.50%
Johnson & Johnson				\$21,000,000		\$21,000,000	0.31%
JP Morgan				\$55,500,000		\$55,500,000	0.81%
Kubota Credit	\$187,572			\$187,572		\$187,572	0.00%
Los Angeles CA CCD					\$6,735,000	\$6,735,000	0.10%
Microsoft Corp				\$35,000,000		\$35,000,000	0.51%
Morgan Stanley				\$51,280,000		\$51,280,000	0.75%
National Australia BK/NY				\$16,780,000		\$16,780,000	0.25%
National Rural Util Coop				\$19,565,000		\$19,565,000	0.29%
Natixis NY Branch		\$93,000,000		\$93,000,000		\$93,000,000	1.36%
Nestle Holdings Inc				\$17,275,000		\$17,275,000	0.25%
Northern Trust				\$12,311,000		\$12,311,000	0.18%
Paccar Financial Group				\$21,785,000		\$21,785,000	0.32%
PNC Financial Services				\$15,000,000		\$15,000,000	0.22%
Roche Holdings Inc.				\$23,620,000		\$23,620,000	0.35%
Royal Bank of Canada NY		\$75,000,000		\$75,000,000		\$75,000,000	1.10%
State Street Corp				\$37,695,000		\$37,695,000	0.55%
Svenska Handelsbanken NY		\$46,800,000		\$46,800,000		\$46,800,000	0.68%
Target Corp				\$15,470,000		\$15,470,000	0.23%
Texas Instrument Inc				\$21,805,000		\$21,805,000	0.32%
Toyota				\$46,415,000		\$46,415,000	0.68%
Truist Financial Corp				\$20,000,000		\$20,000,000	0.29%
Unilever Capital Corp				\$16,405,000		\$16,405,000	0.24%
United Health Group Inc.				\$300,000		\$300,000	0.00%
United Parcel Service				\$10,000,000		\$10,000,000	0.15%
University of California					\$2,950,000	\$2,950,000	0.04%
Volkswagen	\$1,064,030			\$1,064,030		\$1,064,030	0.02%
Walmart Inc				\$18,000,000		\$18,000,000	0.26%
Westpac Banking Corp NY		\$35,000,000		\$35,000,000		\$35,000,000	0.51%
World Omni	\$1,173,902			\$1,173,902		\$1,173,902	0.02%
<b>Grand Total</b>	<b>\$24,597,038</b>	<b>\$575,700,000</b>	<b>\$0</b>	<b>\$1,082,417,000</b>	<b>\$9,685,000</b>	<b>\$1,692,399,038</b>	<b>24.74%</b>

\*\* BB&T Corporation and Suntrust Banks Inc merged with Truist Financial Corp effective 12/06/2019



**SAN MATEO COUNTY TREASURER - ASSET ALLOCATION**  
as of August 31, 2024



SECTOR	MARKET VALUE*	%
Certificate of Deposit	\$ 589,685,260.33	7.64%
CAMP/CalTRUST	100,640,347.22	1.30%
US Treasury Bill	24,917,024.25	0.32%
US Treasury Note	1,998,351,884.30	25.89%
Federal Agency Securities	2,955,615,186.31	38.30%
US Instrumentalities	905,151,292.06	11.73%
Corporate Bonds	1,080,722,647.68	14.00%
Money Market Funds	28,344,403.27	0.37%
Asset Backed Securities	24,392,235.53	0.32%
Municipal Bonds	9,448,000.70	0.12%
<b>TOTALS</b>	<b>\$ 7,717,268,281.65</b>	<b>100.00%</b>

\*Market Values listed include accrued interest for the reported period.



(In 000's)	SEPTEMBER 2024	OCTOBER	NOVEMBER	DECEMBER	JANUARY 2025	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	TOTAL
<b>CASH IN:</b>													
Taxes:													
Secured	\$0	\$161,512	\$255,851	\$231,116	\$46,254	\$43,858	\$111,924	\$174,997	\$5,191	\$983	\$61	\$0	\$1,031,747
Mixed	\$25,018	\$207,710	\$442,580	\$880,654	\$89,801	\$118,661	\$284,498	\$762,086	\$26,906	\$15,581	\$8,538	\$86,545	\$2,948,578
State Automatics	\$90,379	\$73,523	\$75,010	\$68,116	\$62,925	\$88,203	\$73,158	\$58,592	\$79,891	\$79,380	\$55,681	\$123,421	\$928,278
Unscheduled Sub. (Lockbox)	\$35,522	\$59,430	\$19,319	\$31,284	\$17,733	\$27,425	\$16,351	\$32,681	\$28,201	\$11,262	\$4,074	\$13,785	\$297,064
Treasurer's Deposit	\$67,823	\$110,547	\$97,876	\$66,431	\$123,437	\$100,539	\$108,547	\$98,959	\$103,173	\$106,305	\$71,128	\$134,136	\$1,188,900
Hospitals	\$13,908	\$15,101	\$70,234	\$16,293	\$15,117	\$55,307	\$26,250	\$157,598	\$22,084	\$67,224	\$57,663	\$22,310	\$539,089
Retirement Deposit	\$22,341	\$13,400	\$21,066	\$18,097	\$21,167	\$21,417	\$21,385	\$22,730	\$19,517	\$22,502	\$18,198	\$27,013	\$248,831
Housing Authority	\$3,624	\$3,090	\$3,415	\$4,174	\$4,218	\$8,034	\$18,546	\$1,948	\$5,583	\$31,618	\$5,720	\$18,338	\$108,305
SMCOE/SMCCCD	\$3,335	\$1,067	\$2,241	\$2,274	\$3,990	\$4,342	\$3,350	\$3,169	\$2,761	\$4,802	\$23,830	\$6,211	\$61,370
GO Bond Proceeds	\$0	\$90,000	\$17,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$107,000
TRANS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Coupon	\$18,537	\$21,292	\$13,059	\$19,217	\$27,875	\$18,758	\$14,807	\$15,851	\$17,697	\$15,852	\$29,202	\$18,054	\$230,200
<b>TOTAL CASH IN:</b>	<b>\$280,486</b>	<b>\$756,672</b>	<b>\$1,017,650</b>	<b>\$1,337,656</b>	<b>\$412,515</b>	<b>\$486,542</b>	<b>\$678,814</b>	<b>\$1,328,609</b>	<b>\$311,002</b>	<b>\$355,508</b>	<b>\$274,095</b>	<b>\$449,813</b>	<b>\$7,689,361</b>
<b>CASH OUT:</b>													
Tax Apportionments:	(\$263)	(\$220)	(\$23,794)	(\$225,141)	(\$27,506)	(\$28,570)	(\$23,028)	(\$130,507)	(\$56,201)	(\$4,548)	(\$7,689)	(\$34,671)	(\$562,138)
Voluntary Participants W/D	(\$42,848)	(\$61,386)	(\$59,298)	(\$114,510)	(\$57,553)	(\$49,728)	(\$67,350)	(\$137,851)	(\$50,004)	(\$32,903)	(\$51,161)	(\$37,995)	(\$762,586)
County Payments	(\$26,117)	(\$29,898)	(\$25,683)	(\$10,330)	(\$130,480)	(\$50,260)	(\$70,310)	(\$25,274)	(\$49,944)	(\$91,856)	(\$185,072)	(\$20,553)	(\$715,777)
GO Bond/TRANS Payments	(\$127,232)	(\$5,708)	\$0	\$0	(\$29,786)	(\$35,181)	(\$26,392)	(\$3,103)	\$0	\$0	(\$60,975)	(\$112,048)	(\$400,425)
Payroll - County	(\$54,619)	(\$56,299)	(\$58,768)	(\$81,197)	(\$67,414)	(\$56,789)	(\$58,448)	(\$59,859)	(\$75,838)	(\$57,795)	(\$66,671)	(\$56,959)	(\$750,657)
SMCOE/SMCCCD	(\$113,847)	(\$126,514)	(\$124,297)	(\$150,857)	(\$100,239)	(\$128,151)	(\$147,635)	(\$106,911)	(\$128,486)	(\$133,888)	(\$95,938)	(\$87,000)	(\$1,443,762)
Retirement	(\$26,284)	(\$26,315)	(\$25,813)	(\$25,467)	(\$25,991)	(\$26,410)	(\$26,193)	(\$27,802)	(\$27,354)	(\$27,248)	(\$27,563)	(\$27,811)	(\$320,251)
SMC-payables	(\$69,806)	(\$88,182)	(\$71,053)	(\$88,862)	(\$96,730)	(\$90,394)	(\$87,130)	(\$99,470)	(\$85,379)	(\$158,803)	(\$144,398)	(\$79,179)	(\$1,159,384)
SMCOE-payables	(\$84,230)	(\$97,909)	(\$73,301)	(\$86,215)	(\$70,791)	(\$81,680)	(\$81,446)	(\$89,912)	(\$83,309)	(\$89,134)	(\$101,945)	(\$101,719)	(\$1,041,589)
SMCCCD-payables	(\$10,527)	(\$11,133)	(\$5,987)	(\$10,170)	(\$7,451)	(\$10,487)	(\$9,532)	(\$8,554)	(\$8,976)	(\$10,800)	(\$19,447)	(\$6,180)	(\$119,245)
Housing Authority(Payroll-Payables)	(\$3,413)	(\$3,166)	(\$3,503)	(\$4,516)	(\$4,956)	(\$3,950)	(\$5,419)	(\$13,368)	(\$3,721)	(\$25,264)	(\$5,784)	(\$16,417)	(\$93,476)
Other ARS Debits	(\$22,602)	(\$36,927)	(\$21,713)	(\$32,473)	(\$22,753)	(\$18,845)	(\$22,685)	(\$20,757)	(\$27,792)	(\$17,506)	(\$37,041)	(\$24,640)	(\$305,732)
Returned Chks/Misc. Fees	(\$8)	(\$24)	(\$27)	(\$7)	(\$6)	(\$32)	(\$20)	(\$54)	(\$49)	(\$46)	(\$51)	(\$71)	(\$395)
<b>TOTAL CASH OUT:</b>	<b>(\$581,795)</b>	<b>(\$543,681)</b>	<b>(\$493,238)</b>	<b>(\$829,746)</b>	<b>(\$641,655)</b>	<b>(\$580,476)</b>	<b>(\$625,587)</b>	<b>(\$723,420)</b>	<b>(\$597,052)</b>	<b>(\$649,790)</b>	<b>(\$803,734)</b>	<b>(\$605,244)</b>	<b>(\$7,675,418)</b>
<b>TOTAL ESTIMATED CASH FLOW</b>	<b>(\$301,309)</b>	<b>\$212,991</b>	<b>\$524,412</b>	<b>\$507,910</b>	<b>(\$229,140)</b>	<b>(\$93,934)</b>	<b>\$53,227</b>	<b>\$605,189</b>	<b>(\$286,050)</b>	<b>(\$294,282)</b>	<b>(\$529,639)</b>	<b>(\$155,431)</b>	<b>\$13,944</b>
<b>MATURING SECURITIES (SMC)</b>	<b>\$246,294</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$0</b>	<b>\$288,600</b>	<b>\$96,809</b>	<b>\$125,000</b>	<b>\$55,830</b>	<b>\$111,709</b>	<b>\$196,300</b>	<b>\$224,153</b>	<b>\$152,240</b>	<b>\$1,596,935</b>
<b>LAIF/CAMP/DREYFUS/CALTRUST(SMC)</b>	<b>\$75,000</b>												<b>\$75,000</b>
<b>CALLABLE SECURITIES (SMC)</b>	<b>\$260,827</b>	<b>\$241,950</b>	<b>\$219,909</b>	<b>\$25,000</b>	<b>\$31,245</b>	<b>\$110,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$43,000</b>	<b>\$25,000</b>	<b>\$150,000</b>	<b>\$25,000</b>	<b>\$1,131,931</b>

Figures may not total to net figures due to rounding. Maturities exclude overnight vehicles and PFM held Securities. Please note: Securities held by PFM are readily available upon direction of the Treasurer.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX H**

**TABLE OF ACCRETED VALUES**



