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INDEPENDENT AUDITOR’S REPORT

To the Board of Education and the
Citizens’ Bond Oversight Committee
Milpitas Unified School District
Milpitas, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Measure AA General Obligation Bonds (the “Bonds”) activity of Milpitas Unified School District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Measure AA General Obligation Bonds activity, of Milpitas Unified School District, as of June 30, 2023, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (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 Milpitas Unified School 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial activity and balances of the Measure AA General Obligation Bonds activity and do not purport to, and do not, present fairly the financial position of Milpitas Unified School District, as of June 30, 2023 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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.
Audit's Responsibility 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 opinion. 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 Government Auditing Standards 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 Government Auditing Standards, 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 Milpitas Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 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 for the Bonds activity. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance for the Bonds activity. 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 for the Bonds activity.

Crowe LLP
Sacramento, California
December 11, 2023
MILPITAS UNIFIED SCHOOL DISTRICT
MEASURE AA GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2023

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$ 90,228,385</td>
</tr>
<tr>
<td>Receivables</td>
<td>782,255</td>
</tr>
<tr>
<td>Prepaid expenditures</td>
<td>3,413</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 91,014,053</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 2,557,882</td>
</tr>
<tr>
<td>Fund balance</td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>3,413</td>
</tr>
<tr>
<td>Restricted</td>
<td>88,452,758</td>
</tr>
<tr>
<td><strong>Total fund balance</strong></td>
<td><strong>88,456,171</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td><strong>$ 91,014,053</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
MILPITAS UNIFIED SCHOOL DISTRICT  
MEASURE AA GENERAL OBLIGATION BONDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
For the Year Ended June 30, 2023

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 3,082,291</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td></td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>296,818</td>
</tr>
<tr>
<td>Other operating expenditures</td>
<td>1,009,598</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>61,932,920</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$ 63,239,336</td>
</tr>
<tr>
<td>Change in fund balance</td>
<td>(60,157,045)</td>
</tr>
<tr>
<td>Fund balance, July 1, 2022</td>
<td>148,613,216</td>
</tr>
<tr>
<td>Fund balance, June 30, 2023</td>
<td>$ 88,456,171</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Milpitas Unified School District (the “District”) conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the California Department of Education’s California School Accounting Manual. The activities of Measure AA Bonds are recorded in the District’s Building Fund. The accounting policies of the Building Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure AA General Obligation Bonds, only. The activities of the Measure AA General Obligation Bonds are recorded in the District’s Building Fund (Fund 21). These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

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

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Santa Clara County Treasury are considered cash equivalents.

Receivables: Receivables are made up principally of amounts due from local and state agencies for shared project reimbursements and funding. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2023.

Interfund activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds. Interfund transfers consists of operating transfers from funds receiving revenue to funds through which the resources are to be (or were previously) expended.

Nonspendable Fund Balance: Nonspendable fund balance includes amounts that are not in spendable form, such as prepaid expenditures.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects in accordance with the Bond Project List for Measure AA General Obligation Bonds.

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 as of June 30.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of $90,228,385 held in the County Treasury investment pool.

Credit Risk: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Santa Clara County Treasurer's Pooled Investment Fund. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the Pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Santa Clara County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2023 the Santa Clara County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District had no concentration of credit risk.

NOTE 3 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Measure AA General Obligation Bonds is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.
NOTE 4 – PURPOSE OF BOND ISSUANCE

**Bond Authorization:** The Milpitas Unified School District, Santa Clara County, California Election of 2018 General Obligation Bonds, Measure AA were authorized at an election of the registered voters of the Milpitas Unified School District held on November 6, 2018 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $284,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the constructing, modernizing, renovating, installing, updating, replacing and repairing school facilities, infrastructure and grounds of certain District property and facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes.

**Purpose of Bonds:** The proceeds of the Bond may be used:

“To improve safety, provide additional classrooms and science labs to relieve elementary, middle and high school overcrowding; repair leaky roofs; update technology; and repair, construct, acquire classrooms, sites, facilities/equipment, shall Milpitas Unified School District’s measure authorizing $284,000,000 of bonds at legal rates, levying $60/$100,000 assessed value, averaging $21,000,000 annually while bonds are outstanding, be approved, with oversight, annual audits, no funds for administrators’ salaries, and all funds stay local?”

Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

NOTE 5 – GENERAL OBLIGATION BOND ISSUANCES

The Board of Supervisors of Santa Clara County are obligated to levy *ad valorem* taxes for the payment, without limitation as to amount, upon all property within the county subject to taxation by the District for the payment of principal of and interest on the Bonds when due. The bonds are included in the audited financial statements of the District.

On May 8, 2019, the District issued Series A General Obligation Bonds in the total amount of $75,000,000, under the Measure AA authorization. The Bonds were issued mature through February 1, 2045, with interest yields ranging from 3.0% to 5.0%.

On September 29, 2021, the District issued Series B General Obligation Bonds in the total amount of $150,000,000 (Series B Bonds). The Series B Bonds bear interest at rates ranging from 2.0% to 4.0% and are scheduled to mature through August 1, 2046.
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

To the Board of Education and the Citizens' Bond Oversight Committee
Milpitas Unified School District
Milpitas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Measure AA General Obligation Bonds (the "Bonds") activity of Milpitas Unified 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 Measure AA General Obligation Bonds activity financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Milpitas Unified School District internal control over Measure AA General Obligation Bonds activity financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Milpitas Unified School District internal control. Accordingly, we do not express an opinion on the effectiveness of Milpitas Unified School District internal control.

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

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

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

Purpose of this Report

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

Crowe LLP
Sacramento, California
December 11, 2023
No matters were reported.
No matters were reported.