HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT

SCHOOL FACILITY PROGRAM
CLOSE-OUT SAVINGS AUDIT REPORT

HAPPY VALLEY ELEMENTARY SCHOOL

PROJECT NO. 57/69757-00-001

HARSHWAL®
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

To the Board of Education
Happy Valley Elementary School District
Santa Cruz, CA 95065

We conducted a close-out performance audit of Happy Valley Elementary School District (the "District") School Facility Program (SFP) Use of Savings Project No. 57/69757-00-001.

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

Based on our procedures, we concluded that the District properly identified, reported, and used School Facility Program project savings in accordance with the applicable requirements of the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5, commencing with Section 17070.10, of Part 10 of Division 1 of Title 1 of the California Education Code), the regulations of the State Allocation Board (SAB), Office of Public School Construction (OPSC) guidance, and the approved project funding requirements. Management is responsible for the preparation of the Schedule of Use of Savings and compliance with these requirements.

In planning and performing our audit, we obtained an understanding of the District's internal control in order to determine whether the internal controls were adequate to help ensure the District's compliance with the applicable requirements of the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5, commencing with Section 17070.10, of Part 10 of Division 1 of Title 1 of the California Education Code), the regulations of the State Allocation Board (SAB), Office of Public School Construction (OPSC) guidance, and the applicable procedures contained in the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting - Appendix B*, issued by the California Education Audit Appeals Panel, 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.

The results of our tests indicated that the accompanying Schedule of Use of Savings was prepared, in all material respects, in accordance with the applicable requirements of the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1 of the California Education Code) and the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting - Appendix* B, issued by the California Education Audit Appeals Panel.

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

Harshwal & Company LLP

San Diego, California
July 24, 2026

BACKGROUND INFORMATION

GENERAL

The Leroy F. Greene School Facilities Act of 1998 (Senate Bill 50) was chaptered into law on August 27, 1998, establishing the School Facility Program (SFP). The SFP provides for a wide variety of state funding, including, but not limited to, new construction, modernization, charter school facilities, career technical education facilities, seismic mitigation, facility hardship, joint-use programs, high performance attributes, and assisting in the relief of overcrowding. The two major funding types available are "new construction" and "modernization." The new construction grant provides funding on a 50/50 state and local match basis. The modernization grant provides funding on a 60/40 state and local match basis. Approval by the Division of the State Architect (DSA) is required before signing a contract for any new construction, modernization and/or alteration projects for which State funding is provided to ensure that districts are providing adequately safe facilities to students.

On November 8, 2016, California voters approved Proposition 51, the California Public School Facility Bonds Initiative, which authorizes $9 billion in general obligation bonds to fund construction and improvement of K-12 and community college facilities. The measure designates $7 billion for K-12 projects falling under four types of projects (new construction, modernization, career technical education facilities, and charter school facilities), and $2 billion for any facility project for community colleges.

Upon completion of a School Facility Program project, a district may be required to prepare a Schedule of Use of Savings identifying any remaining project savings and the disposition of those funds in accordance with the requirements of the School Facility Program. The purpose of this audit is to determine whether the Schedule of Use of Savings has been prepared in accordance with the applicable requirements of the School Facility Program and related guidance issued by the Office of Public School Construction (OPSC).

LEGISLATIVE HISTORY

Funding for projects approved in the SFP comes exclusively from statewide general obligation bonds approved by the voters of California. The first source of funding for the program was Proposition 1A, approved by the voters in November 1998, and the most recent source was Proposition 51, approved in November 2016.

The SFP continues to evolve through legislative and regulatory changes. Significant changes took effect with Assembly Bills (AB) 16 and the voter-approved Proposition 47 in November 2002, which included funding for charter school facilities, critically overcrowded schools, and joint-use projects. Additional changes to the program impacted new construction funding including the suspension of priority points, an additional grant for energy deficiency, and several modifications to the determination of eligibility. Added changes that impacted modernization funding include the change of the funding ratio between the state and the school district from 80 percent state and 20 percent school district to 60 percent state and 40 percent school district and included additional grants for energy deficiency and the modernization of buildings 50-years old or older. The passage of Proposition 55 in March 2004, provided additional funding for the programs previously established by AB 16. AB 127 was signed into law in May 2006, and was approved by the voters in November 2006, as Proposition 1D. As with the prior bonds, these funds were provided to accommodate future enrollment growth, renovate and modernize older school buildings, charter school facilities, and joint-use projects. Proposition 1D also provided new funding for career technical education projects, seismic mitigation projects, environmentally friendly "high-performance" enhancements, and portable classroom building replacements.

LEGISLATIVE HISTORY - CONT'D

Most recently, California voters approved Proposition 51 in November 2016. Proposition 51 was the result of a voter initiative and provides additional funding to continue the new construction and modernization of K-12 public school facilities. This funding is designated for K-12 school districts and charter schools to accommodate future enrollment growth, renovate and modernize older school buildings, and construct and modernize career technical education facilities.

SCHOOL FACILITY PROGRAM - HAPPY VALLEY ELEMENTARY SCHOOL

The District completed Financial Hardship Project No. 57/69757-00-001 under the School Facility Program (SFP), administered by the Office of Public School Construction (OPSC). Upon completion of the project, School Facility Program savings of $181,695 were identified. The District subsequently prepared a Schedule of School Facility Program – Use of Savings Summary reporting the use of these savings for bathroom Project – General Construction. Pursuant to Education Code Section 41024, projects receiving School Facility Program funding after June 30, 2017 are subject to a savings audit in accordance with the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix B*, issued by the California Education Audit Appeals Panel. The purpose of this audit was to determine whether the District properly reported and utilized the School Facility Program savings in accordance with the applicable program requirements.

On April 16, 2026, the Office of Public School Construction (OPSC), through the California Department of General Services (DGS), notified the District that the project was subject to annual School Facility Program savings reporting pursuant to Education Code Section 41024.

CLOSE-OUT SAVINGS AUDIT

OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSION

Audit Objective

Determine whether the District properly identified, calculated, and reported School Facility Program project savings and prepared the accompanying Schedule of Use of Savings in accordance with the applicable requirements of the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5, commencing with Section 17070.10, of Part 10 of Division 1 of Title 1 of the California Education Code), applicable regulations, grant agreements, and the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting - Appendix B*, issued by the California Education Audit Appeals Panel.

Audit Scope

Our close-out savings audit was carried out in accordance with standards generally accepted *Government Auditing Standards*. The scope of our audit included the District's Schedule of School Facility Program (SFP) Use of Savings Summary and the related supporting documentation, the Detailed Listing of Project Expenditures (DLOPE) obtained from the Office of Public School Construction (OPSC) for the reporting period related to the use of School Facility Program savings.

The District reported School Facility Program savings usage totaling $181,695. Pursuant to Education Code Section 41024, projects receiving School Facility Program funding after June 30, 2017 are subject to a savings audit in accordance with the *Guide for Annual Audits of K–12 Local Education Agencies and State Compliance Reporting – Appendix B*, issued by the California Education Audit Appeals Panel. Happy Valley Elementary School received School Facility Program funding on June 8, 2020; therefore, the project is subject to a savings audit.

The total School Facility Program savings reported on the Schedule of Use of Savings were $181,695. During the reporting period, the District fully expended these savings on an eligible High Priority Capital Outlay Project consisting of bathroom improvements.

Audit Methodology

We obtained the Schedule of School Facility Program (SFP) Use of Savings Summary, the final Detailed Listing of Project Expenditures (DLOPE) from the Office of Public School Construction (OPSC), and the District's corresponding general ledger for Financial Hardship Project No. 57/69757-00-001. We performed the following procedures:

- Verified that the District maintained accounting records supporting the School Facility Program project and the related Schedule of Use of Savings.
- Reconciled the final project expenditures reported on the DLOPE to the District's general ledger.
- Verified the calculation of the School Facility Program project savings reported on the Schedule of Use of Savings.

Audit Methodology - Cont'd

- Inspected supporting documentation to determine that the reported project savings were used for an eligible Project in accordance with the requirements of the Leroy F. Greene School Facilities Act of 1998, applicable State Allocation Board regulations, Office of Public School Construction (OPSC) guidance, and the *2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix B.*
- Traced the expenditures charged against the project savings to supporting invoices, payment records, contracts, and other relevant documentation.
- Verified that the expenditures funded from the project savings were properly authorized, accurately recorded in the District's accounting records, and supported by appropriate documentation.
- Reviewed the Schedule of Use of Savings to determine that all available School Facility Program savings were appropriately reported and utilized in accordance with applicable program requirements.

Conclusion

The results of our tests indicated that, in all significant respects, the District has properly prepared the Schedule of Use of Savings for Project No. 57/69757-00-001 and properly utilized the reported savings for the Bathroom Project – General Construction in accordance with the applicable requirements of the School Facility Program and Office of Public School Construction (OPSC) guidance. Our testing confirmed that the expenditures were supported by invoices/contracts and met the applicable eligibility requirements.

SUMMARY OF AUDIT SCHEDULES

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT - HAPPY VALLEY ELEMENTARY SCHOOL

DETERMINATION OF SAVINGS

PROJECT NO. 57/69757-00-001

	Original Project Savings Determined at Closeout Audit	Remaining Savings Balance to Date	Savings Used Reported This Period	Balance of Unused Savings
Amount reported	$ 181,695	$ 181,695	$ 181,695	$ -
Amount audited	181,695	181,695	181,695	-
Difference	$ -	$ -	$ -	$ -

HAPPY VALLEY ELEMENTARY SCHOOL DISTRICT - HAPPY VALLEY ELEMENTARY SCHOOL

SCHEDULE OF SCHOOL FACILITY PROGRAM DETERMINATION OF PROJECT SAVINGS

PROJECT NO. 57/69757-00-001

		Reported	Audited	Difference
A.	State Share: Grant Amount (do not include site acquisition, relocation assistance, hazardous waste removal, or DTSC grants in this figure)	$ 1,118,975	$ 1,118,975	$ -
B.	Plus District Contribution	14,861	14,861	-
C.	Plus Financial Hardship Apportionment	731,122	731,122	-
D.	District Share: (B + C)	745,983	745,983	-
E.	Plus Interest Earned on State Funds	50,686	50,686	-
F.	Amounts Financed (A + D + E = F)	$ 1,915,644	$ 1,915,644	$ -
G.	Reported Expenditures to Office of Public School Construction (do not include expenditures related to site acquisition, relocation assistance, hazardous waste removal, or DTSC grants in this figure):	1,733,949	1,733,949	-
H.	Amount Overspent (if reported expenditures more than amounts financed) (G - F = H)	-	-	-
I.	Amount of Savings (if reported expenditures less than amounts financed) (F - G = I)	$ 181,695	$ 181,695	$ -

SCHEDULE OF SCHOOL FACILITY PROGRAM - SUMMARY OF AUDIT FINDINGS

No audit findings were noted.