

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
2003 MEASURE A GENERAL OBLIGATION BOND FUND
AGREED-UPON PROCEDURES REPORT

JUNE 30, 2006



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Board of Trustees and
Citizens' Bond Oversight Committee
San Francisco Unified School District

We have performed the agreed-upon procedures, which were agreed to by the management of the San Francisco Unified School District (the District) and the Citizens' Bond Oversight Committee of the San Francisco Unified School District (the Committee), to review expenditures of the 2003 Measure A General Obligation Bond Fund (the Fund), covering a minimum of 70% of the total Fund expenditures for the year ended June 30, 2006, for the purpose of verifying if the use of the funds is within the scope of the published election materials specifying the intended use of bond proceeds. We used the election documents and District resolutions as the guidance for the intended use of the bond proceeds. Management of the District and the Committee are responsible for the compliance with the election documents and District resolutions. This engagement to perform agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and to meet the compliance requirements to perform a "performance audit" as referred to in Proposition 39 and outlined in Subparagraph (C) of paragraph (3) of subdivision (b) of section 1 of Article XIII A of the California Constitution. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The 2003 Measure A General Obligation Bonds were authorized by an election of the registered voters of the San Francisco Unified School District held on November 4, 2003. The total amount authorized was \$295,000,000. The proceeds are to be used for the financing of site improvements and modernization of school facilities. The first series of the bonds were issued on October 19, 2004 in the amount of \$58,000,000. The second series of the bonds were issued on October 12, 2005 in the amount of \$130,000,000.
2. Total expenditures for the year ended June 30, 2006, were \$26,180,796.

Agreed Upon Procedures Performed

1. Verify that the expenditures of funds were accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the 2003 Measure A General Obligation Bonds were deposited in total into the District's accounts by obtaining the settlement statement for the new bond issue and verifying that the amounts were appropriately deposited into the building and debt service funds, as required.
3. Test expenditures covering a minimum of 70% of the total capital project expenditures, exclusive of issuance costs and transfers out.
 - a. Select all non-salary expenditure transactions \$30,000 and over and determine that expenditure purpose as indicated on invoices or supporting documentation was for purposes specified to the registered voters of the District through election materials.
 - b. Select all salary transactions and determine based on personnel or payroll records and time sheets, and interview current employees to determine that amounts expended were in support of the Measure A General Obligation Bond Fund and not for District general administration or operations.
 - c. Select, on a systematic basis, 50 non-salary expenditure transactions below \$30,000 and determine compliance with the following District procedures for documentation and approvals:

Project Initiation.

1. An Initiate a Contract Action (ICA) was present.
2. The ICA contains:
 - a. Contract or Order for Service number (OSW).
 - b. Project number.
 - c. Description of scope of work.
 - d. Initialed and dated prior to Budget Director approval.
 - e. Signatures of Project Manager, Bond Program Manager, Budget Director, Chief Facilities Officer, Director of Fiscal Services, Certified Payroll Manager, and Director of Contracts Office.
 - f. Funding sources.
3. Contract, OSW number agrees with Bond Financial Analyst log.
4. Contract, OSW number and amount agrees with Project Tracking System (MBSR).
5. ICA amount agrees with amount entered into People Soft Budget System (GL).

Purchase Order Issuance.

1. Purchase order agrees to ICA for Vendor, Amount, Scope of Work, and account code.
2. Purchase order signed by Chief Financial Officer.
3. Purchase order signed by Vendor if other than Contract.

Contracts and Bids.

1. For contracts greater than \$15,000:
 - a. Contract was bid.
 - b. Board Resolution attached to ICA.
 - c. Contract present.
 - d. Notice to Proceed present.
 - e. SACS coding on ICA agrees with Board Resolution.

Payments.

1. Invoices are:
 - a. Stamped with date received.
 - b. Contract and project number agrees with ICA.
 - c. Approved by Project Manager, Bond Program Manager, Bond Financial Analyst and Director of Fiscal Services.
 - d. Bond Program Financial Analyst calculation of amount to be paid and retained present (or stamped "No Retention").
 - e. Accounting receipt number entered.
 - f. Agrees to Receipt Record.
 - g. Agrees to Project Tracking System (MBSR).

Project Tracking System (MBSR) Reporting.

1. Agrees to Receipt Record.
2. Agrees to Financial System.

Direct Payments.

1. The requisition form is present with signatures of Project Manager and Director of Budget Office.
2. The amount and the SACS code on the requisition form agrees to the General Ledger.
3. Invoice amount agrees to the payment amount.
4. Invoice or requisition description appear to be within purpose of Bond election document.

Results of Procedures

1. The 2003 Measure A General Obligation Bond Fund expenditures were accounted for separately as sub fund 21 in the Building Fund of the District.
2. The \$130 million net proceeds from the sale of the general obligation bonds were deposited into the appropriate sub fund 21 accounts within the Building Fund. Issuance costs of \$789,741 were paid for by premium of \$6,140,078 and the residual premium was properly deposited into the Bond Interest and Redemption (BIR) fund.
3. We examined expenditures aggregating \$20,604,487 which is 78.7% of the \$26,180,796 total Measure A Bond expenditures for the year ended June 30, 2006. The amounts examined were as follows:

Non-salary transactions \$30,000 and greater	\$19,706,808
Non-salary transactions (50 transactions) less than \$30,000	160,364
Salary transactions	<u>737,305</u>
Total	\$20,604,487

Our procedures:

- a. Did not identify any expenditure transactions that were paid from the Measure A Bond proceeds that did not comply with the intended use of bond proceeds approved by the voters of the District on November 4, 2003.
- b. Did not identify any salary expenditures that were not in support of the Measure A Bond Fund nor were any expenditures identified that were in support of general administration or operations.

c. Did not identify instances of non-compliance with District procedures except as follows:

District procedures for direct pay transactions require project manager and budget office review. We noted two instances that direct pay transactions did not have the signature or initial indicating budget office review. Project manager review was documented. Total disbursed for both instances was \$1,758. All other transactions included documentation of budget office review.

Although not an instance of non-compliance we offer the following recommendation for consideration by the District. The facilities project tracking system is reconciled to the People Soft financial system on a monthly basis and a financial report by project is prepared. When comparing the financial report by project to the general ledger we noted differences due to additional transactions processed through the general ledger prior to the financial system monthly cutoff but subsequent to the preparation of the project reports. The reconciliation performed between the project tracking system and the general ledger should be sufficient to verify the accuracy of the tracking system. However, we would recommend that reconciliation between the project report and the general ledger be performed at least semi-annually as an additional verification of data and reporting integrity.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and the Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Irvine, Day : Co., LLP

Palo Alto, California
February 23, 2007