

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
2003 MEASURE A GENERAL OBLIGATION BOND FUND
JUNE 30, 2006

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**MEASURE A BUILDING FUND
TABLE OF CONTENTS
JUNE 30, 2006**

Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Measure A Bond Fund	
Balance Sheet	2
Statement of Revenues, Expenditures and Changes in Fund Balance	3
Notes to Financial Statements	4



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of the 2003 Measure A General Obligation Bond Fund (the Fund), of the San Francisco Unified School District, as of June 30, 2006, and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the financial activity of the Fund only, and do not purport to, and do not, present the financial position and results of operations of the San Francisco Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day : Co., LLP

Palo Alto, California
January 16, 2007

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**2003 MEASURE A GENERAL OBLIGATION BOND FUND
BALANCE SHEET
JUNE 30, 2006**

ASSETS

Cash and investments	\$ 165,153,063
Accounts receivable - Interest	1,015,360
Total Assets	<u>\$ 166,168,423</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 7,222,269
Total Liabilities	<u>7,222,269</u>

FUND BALANCE

Fund balance	
Undesignated	158,946,154
Total Fund Equity	<u>158,946,154</u>
Total Liabilities and Fund Equity	<u>\$ 166,168,423</u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**2003 MEASURE A GENERAL OBLIGATION BOND FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES AND OTHER SOURCES	
Proceeds from issuance of bonds	\$ 130,000,000
Interest	5,396,209
Total Revenues	<u>135,396,209</u>
EXPENDITURES	
Current Expenditures	
Classified salaries	563,642
Employee benefits	173,663
Supplies & Equipment	9,466
Services and operating expenditures	2,803,692
Capital outlay	22,630,333
Total Expenditures	<u>26,180,796</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>109,215,413</u>
FUND BALANCE, BEGINNING OF YEAR	49,730,741
FUND BALANCE, END OF YEAR	<u><u>\$ 158,946,154</u></u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2003 MEASURE A GENERAL OBLIGATION BOND FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 2003 Measure A General Obligation Bond fund (the Fund) of the San Francisco Unified School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The financial statements include the financial activity of the 2003 Measure A General Obligation Bond Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure A Bond Election of 2003. These financial statements are not intended to present the financial position and results of operations of the San Francisco Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$295,000,000. The first series of bonds in the amount of \$58,000,000 were sold on October 19, 2004. The second series of bonds in the amount of \$130,000,000 were sold on October 12, 2005.

B. 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 of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

C. Use of Estimates

The preparation 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 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/expenses during the reporting period. Actual results could differ from those estimates.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**2003 MEASURE A GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 2 – INVESTMENTS

Investments at June 30, 2006 held on behalf of the building fund of the San Francisco Unified School District consist of deposits in the County of San Francisco Treasury:

	Reported Amount	Fair Value
Deposits with county treasurer	<u>\$ 165,153,063</u>	<u>\$ 165,483,369</u>

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of amortized cost which approximately 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.

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 changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. The county pool investments have an average maturity of 148 days.

NOTE 3 – GENERAL LONG-TERM DEBT

Principal and Interest outstanding on the Measure A Bonds are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 6,585,000	\$ 8,046,230	\$ 14,631,230
2008	6,785,000	7,848,456	14,633,456
2009	7,010,000	7,622,106	14,632,106
2010	7,245,000	7,388,206	14,633,206
2011	7,555,000	7,074,806	14,629,806
2012-2016	43,065,000	30,082,806	73,147,806
2017-2021	53,605,000	19,545,422	73,150,422
2022-2025	48,595,000	5,584,558	54,179,558
	<u>\$ 180,445,000</u>	<u>\$ 93,192,590</u>	<u>\$ 273,637,590</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2003 MEASURE A GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Repayment of the Bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund under the control of the San Francisco County Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bond.