SAN FRANCISCO UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
2003 MEASURE A GENERAL OBLIGATION BOND FUND
JUNE 30, 2008
Independent Auditors' Report

FINANCIAL STATEMENTS
Measure A Bond Fund
   Balance Sheet
   Statement of Revenues, Expenditures and Changes in Fund Balance
   Notes to Financial Statements
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, 2008, 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, 2008, 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
March 25, 2009
SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2003 MEASURE A GENERAL OBLIGATION BOND FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS
Cash and investments $ 106,099,047
Accounts receivable - interest 558,458
Total Assets $ 106,657,505

LIABILITIES AND FUND EQUITY

LIABILITIES
Accounts payable $ 12,438,459

FUND BALANCE
Fund balance 94,219,046
Undesignated $ 106,657,505
Total Liabilities and Fund Equity

The accompanying notes are an integral part of these financial statements.
### REVENUES AND OTHER SOURCES

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$6,382,016</td>
</tr>
</tbody>
</table>

**Total Revenues**

6,382,016

### EXPENDITURES

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Expenditures</td>
<td></td>
</tr>
<tr>
<td>Classified salaries</td>
<td>895,373</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>390,500</td>
</tr>
<tr>
<td>Supplies and equipment</td>
<td>246,741</td>
</tr>
<tr>
<td>Services and operating expenditures</td>
<td>1,440,605</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>99,085,816</td>
</tr>
</tbody>
</table>

**Total Expenditures**

102,059,035

### EXCESS OF REVENUE OVER EXPENDITURES

(95,677,019)

### FUND BALANCE, BEGINNING OF YEAR

189,896,065

### FUND BALANCE, END OF YEAR

$94,219,046

The accompanying notes are an integral part of these financial statements.
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. The third series of bonds in the amount of $92,000,000 were sold on October 12, 2006.

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. Expenditures are not capitalized or depreciated in individual funds and accordingly have not been capitalized or depreciated in these financial statements. All expenditures are capitalized and depreciated on the District’s Entity-wide financial statements. 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. Allocation of Salaries
The salaries and benefits of personnel working on both the 2003 Measure A Bond and 2006 Measure A Bond are allocated based on the ratio of the bonds’ non-salary expenditures.

D. 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.
NOTE 2 – INVESTMENTS

Investments at June 30, 2008 held on behalf of the 2003 Measure A Bond Fund of the San Francisco Unified School District consist of deposits in the County of San Francisco Treasury:

<table>
<thead>
<tr>
<th>Deposits with county treasurer</th>
<th>Reported Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 106,099,047</td>
<td>$ 105,876,239</td>
</tr>
</tbody>
</table>

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 364 days.

NOTE 3 – GENERAL LONG-TERM DEBT

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the San Francisco Unified School District. General obligation bonds have been issued and are outstanding as follows:

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Original Issue</th>
<th>Outstanding June 30, 2007</th>
<th>Issued</th>
<th>Redeemed</th>
<th>Outstanding June 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/20/03</td>
<td>6/15/24</td>
<td>3.9%</td>
<td>$58,000,000</td>
<td>$51,815,000</td>
<td>-</td>
<td>$2,225,000</td>
<td>$49,590,000</td>
</tr>
<tr>
<td>10/12/05</td>
<td>6/10/25</td>
<td>3-5%</td>
<td>130,000,000</td>
<td>122,045,000</td>
<td>-</td>
<td>4,560,000</td>
<td>117,485,000</td>
</tr>
<tr>
<td>10/12/06</td>
<td>6/15/26</td>
<td>4-5%</td>
<td>92,000,000</td>
<td>89,520,000</td>
<td>-</td>
<td>3,120,000</td>
<td>86,400,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$280,000,000</td>
<td>$263,380,000</td>
<td>$</td>
<td>$9,905,000</td>
<td>253,475,000</td>
</tr>
</tbody>
</table>

Unamortized bond premium 9,022,747
Total $262,497,747
Debt Service Requirements

The general obligation bonds mature through 2027 as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest to Maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$ 10,255,000</td>
<td>$ 11,535,100</td>
<td>$ 21,790,100</td>
</tr>
<tr>
<td>2010</td>
<td>10,655,000</td>
<td>11,138,950</td>
<td>21,793,950</td>
</tr>
<tr>
<td>2011</td>
<td>11,100,000</td>
<td>10,689,150</td>
<td>21,789,150</td>
</tr>
<tr>
<td>2012</td>
<td>11,565,000</td>
<td>10,220,400</td>
<td>21,785,400</td>
</tr>
<tr>
<td>2013</td>
<td>12,060,000</td>
<td>9,727,750</td>
<td>21,787,750</td>
</tr>
<tr>
<td>2014-2018</td>
<td>68,800,000</td>
<td>40,147,028</td>
<td>108,947,028</td>
</tr>
<tr>
<td>2019-2023</td>
<td>86,040,000</td>
<td>22,902,258</td>
<td>108,942,258</td>
</tr>
<tr>
<td>2024-2027</td>
<td>43,000,000</td>
<td>3,402,496</td>
<td>46,402,496</td>
</tr>
<tr>
<td></td>
<td><strong>$ 253,475,000</strong></td>
<td><strong>$ 119,763,132</strong></td>
<td><strong>$ 373,238,132</strong></td>
</tr>
</tbody>
</table>

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.

NOTE 4 – RECONCILIATION TO DISTRICT INTERNAL REPORT OF EXPENDITURES

A retention expenditure of $99,903 relating to the prior year was reported in the District’s internal report of expenditures as an adjustment to the beginning fund balance rather than as a current year expenditure. These financial statements report the retention as an expenditure in the current year.

The allocation of salaries and benefits between the 2003 Measure A Bond and the 2006 Measure A Bond was not reported in the District’s internal report of expenditures. These financial statements report the allocation of $100,297 of 2003 Measure A Bond salaries and benefits to the 2006 Measure A Bond.

NOTE 5 – CONTINGENCIES AND COMMITMENTS

Litigation  The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

Construction Commitments  As of June 30, 2008, the District had approximately $40,127,929 in construction commitments with respect to the unfinished modernization at various sites.