

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**2003 MEASURE A GENERAL OBLIGATION BOND FUND**  
**JUNE 30, 2009**

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**2003 MEASURE A GENERAL OBLIGATION BOND FUND  
TABLE OF CONTENTS  
JUNE 30, 2009**

Independent Auditor's 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



## INDEPENDENT AUDITOR'S 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, 2009, 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, 2009, 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 23, 2010

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**2003 MEASURE A GENERAL OBLIGATION BOND FUND  
BALANCE SHEET  
JUNE 30, 2009**

**ASSETS**

Cash and investments	\$ 46,847,718
Accounts receivable - interest	115,084
Due from 2006 Measure A bond fund	81,692
Total Assets	<u>\$ 47,044,494</u>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accounts payable	\$ 6,836,108
Due to 2006 Measure A bond fund	379,941
Total Liabilities	<u>\$ 7,216,049</u>

**FUND BALANCE**

Fund balance	
Undesignated	\$ 39,828,445
Total Liabilities and Fund Equity	<u>\$ 47,044,494</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, 2009**

REVENUES AND OTHER SOURCES

Interest

\$ 1,574,457  
1,574,457

Total Revenues

EXPENDITURES

Current Expenditures

Classified salaries

704,130

Employee benefits

282,470

Supplies and equipment

375,069

Services and operating expenditures

1,017,747

Capital Outlay

53,585,642

Total Expenditures

55,965,058

EXCESS OF REVENUE OVER EXPENDITURES

(54,390,601)

FUND BALANCE, BEGINNING OF YEAR

94,219,046

FUND BALANCE, END OF YEAR

\$ 39,828,445

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, 2009

### 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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**2003 MEASURE A GENERAL OBLIGATION BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 – INVESTMENTS**

Investments at June 30, 2009 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:

	Reported Amount	Fair Value
Deposits with county treasurer	<u>\$ 46,847,718</u>	<u>\$ 46,736,366</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 576 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. Long term liabilities associated with the 2003 Measure A Bond Fund are General Obligation Bond outstanding principal and Arbitrage rebate liabilities.

General Obligation Bonds

General obligation bonds have been issued and are outstanding as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding June 30, 2008	Issued	Redeemed	Outstanding June 30, 2009
11/20/03	6/15/24	3.9%	\$ 58,000,000	\$ 49,590,000	\$ -	\$ 2,290,000	\$ 47,300,000
10/12/05	6/10/25	3-5%	130,000,000	117,485,000	-	4,720,000	112,765,000
10/12/06	6/15/26	4-5%	92,000,000	86,400,000	-	3,245,000	83,155,000
			<u>\$ 280,000,000</u>	<u>\$ 253,475,000</u>	<u>\$ -</u>	<u>\$ 10,255,000</u>	<u>\$ 243,220,000</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**2003 MEASURE A GENERAL OBLIGATION BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**Debt Service Requirements**

The general obligation bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 10,655,000	\$ 11,138,950	\$ 21,793,950
2011	11,100,000	10,689,150	21,789,150
2012	11,565,000	10,220,400	21,785,400
2013	12,060,000	9,727,750	21,787,750
2014	12,585,000	9,210,000	21,795,000
2015-2019	71,905,000	37,036,254	108,941,254
2020-2024	90,110,000	18,831,186	108,941,186
2025-2026	23,240,000	1,374,342	24,614,342
	<u>\$ 243,220,000</u>	<u>\$ 108,228,032</u>	<u>\$ 351,448,032</u>

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.

Arbitrage Rebate Liability

Arbitrage rebate liability is \$1,783,217 at June 30, 2009. The payment is due after September 2010. The arbitrage rebate liability represents the excess interest income earned by the District from the proceeds of its general obligation bond issues over those currently allowed by IRS regulations. Additional calculations will be required in subsequent years to update the actual amount of the liability due for each series issued.

**NOTE 4 – RECONCILIATION TO DISTRICT INTERNAL REPORT OF EXPENDITURES**

Election Expenses

Election expenses for the 2006 election of \$81,692 had been charged in previous years to the 2003 Bond Fund. An adjustment was made to transfer the expense to the 2003 Bond Fund.

Salaries and Benefits

An adjustment of \$379,941 was made to salaries and benefits to adjust charges to equal the percentage ratio of the 2006 and 2003 Bond Funds’ non-salary expenditures in accordance with District policy.



# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## 2003 MEASURE A GENERAL OBLIGATION BOND FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### NOTE 5 – CONTINGENCIES AND COMMITMENTS

**Litigation** The District is involved in litigation 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 Bond Fund at June 30, 2009.

**Construction Commitments** As of June 30, 2009, the 2003 Measure A Bond had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT SITE	Remaining Construction Commitment	Expected Date of Completion
Abraham Lincoln High School Bungalow Replacement	\$ 2,100,777	9/8/2009
Abraham Lincoln High School Modernization	2,949,249	10/21/2009
Balboa High School	841,710	11/9/2009
Everett Middle School	143,395	7/31/2009
Galileo High School	860,436	10/1/2009
George Washington High School	936,558	9/28/2009
Gloria R. Davis Middle School	12,400	5/9/2009
John O'Connell High School	185,728	1/13/2009
Mission High School	129,485	7/31/2009
Rosa Parks Elementary School	162,770	9/5/2009
Modernization at various sites	<u>\$ 8,322,508</u>	