



March 23, 2010

Board of Education and  
Citizens Bond Oversight Committee  
San Francisco Unified School District  
San Francisco, California

We have completed the financial audit of the 2003 and 2006 Measure A Bond Funds (sub-funds of the District's Building Fund) of the San Francisco Unified School District for the year ended June 30, 2009 and the Agreed upon Procedures engagements for both Bond Funds for the year ended June 30, 2009. The engagements are intended to meet the requirements of a Financial and Performance audit required by Proposition 39. Our reports thereon are dated March 23, 2009.

Professional standards require that we provide you with the following information related to our audit and agreed upon procedures engagement.

**Our Responsibilities under U.S. Generally Accepted Auditing Standards.**

Financial Reports. As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements referred to above and prepared by management with board oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the board or management of responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles and adoption of sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our financial audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Agreed upon Procedures Reports. We performed specific procedures defined by the District in the Agreed upon Procedures engagement for both the 2003 and 2006 Measure A Bonds to meet the Proposition 39 compliance requirement of a performance audit to determine that the use of the funds is within the scope of the published election documents specifying the intended use of the bond proceeds. As a performance audit was not defined in Proposition 39, the procedures to be performed are defined by each District. These specified procedures, which

covered at least 70% of expenditures and appropriate allocation of the proceeds from the sale of the bonds, were determined by District management and the Citizens' Bond Oversight Committee as being sufficient to fulfill the District's Proposition 39 compliance requirement. Under our professional standards, since the procedures were determined by the District and the Citizens Bond Oversight Committee and not by us, we report the results of the procedures we performed but do not express an opinion.

### **Planned Scope and Timing of the Audit**

The planned scope and timing of the audit was discussed with management prior to the start of the audit and throughout the engagement. We also met with the Citizens' Bond Oversight Committee to discuss the procedures to be performed in the agreed upon procedures engagement and to review the reports in draft form.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive decisions affecting the financial statements are the selection of qualified expenditures under the published election documents when not specifically identified in the project listing. Bond counsel was consulted during the current year and two expenditures were disallowed as noted in our Agreed Upon Procedure report. The disclosures in the financial statements are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit. Management and staff were responsive and hospitable to us throughout the engagement.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material uncorrected misstatements either individually or in the aggregate, to the financial statements taken as a whole. The disallowed expenditures mentioned above, aggregating \$77,154 were not considered material and will be corrected by the District in the 2009-10 fiscal year.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested and received certain representations from management that are included in the management representation letter dated March 23, 2010.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Discussions with Management prior to Retention of Auditors**

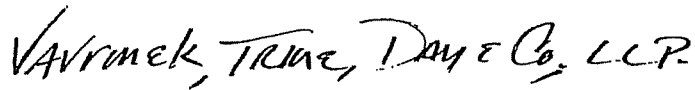
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Findings and Recommendations**

We recommended in our Agreed Upon Procedures reports changes in procedures related to bond fund approvals of transactions initiated in other departments; and exception reporting of employee time spent in activities other than their assigned duties, to the extent salaries and benefits charged to the bond fund would be affected.

This information is intended solely for the use of the Board and management of the San Francisco Unified School District and the Citizens Bond Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Vavrinek, Trine, Day & Co., LLP.