ANNUAL FINANCIAL REPORT 2008 PROPOSITION A PARCEL TAX FUND JUNE 30, 2015

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Vavrinek, Trine, Day & Co., LLP Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund (the Fund), of the San Francisco Unified School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund (the Fund) of the San Francisco Unified School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund and do not purport to, and do not, present fairly the financial position of the San Francisco Unified School District, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Palo Alto, California

Vourinek Trine Day + Co. LLP

March 18, 2016

2008 PROPOSITION A PARCEL TAX FUND BALANCE SHEET JUNE 30, 2015

ASSETS Cash and investments Total Assets	\$ \$	9,255,872 9,255,872
LIABILITIES AND FUND EQUITY		
LIABILITIES Accounts payable	\$	107,026
FUND BALANCE Restricted		9,148,846
Total Liabilities and Fund Equity	\$	9,255,872

2008 PROPOSITION A PARCEL TAX FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2015

REVENUES AND OTHER SOURCES	
Parcel Tax Proceeds	\$ 37,415,247
EXPENDITURES	
Current Expenditures	
Salary adjustments	16,757,264
Technology	5,075,601
Equity adjustments	2,165,802
	2,103,802
Teaching in a hard to staff school	
Professional development days	1,830,691
Indirect cost	1,478,744
Teaching in a hard to fill subject area	1,379,465
Charter schools	1,091,897
Master teachers	960,669
Innovation, research and development	875,123
Additional competitive compensation and professional development support	684,073
Additional peer assistance review coaches	538,677
Stipend for paraprofessionals	435,378
Retention Bonus - four years	402,204
Retention Bonus - eight years	336,389
Additional paraprofessional development	260,872
Substitute benefits	200,072
School-wide recognition	170,465
Member health dependent (\$10 per month)	134,638
Tax collection cost	115,000
Stipend for early education and early development teachers	98,723
Oversight	66,350
Urban teacher residency	65,257
Substitute bonus	54,358
Tuition reimbursement for special education training	50,875
Non-personnel (Community Boards)	1,115
Total Expenditures	 37,316,947
EXCESS OF REVENUES OVER EXPENDITURES	98,300
FUND BALANCE, BEGINNING OF YEAR	 9,050,546
FUND BALANCE, END OF YEAR	\$ 9,148,846

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

2008 PROPOSITION A PARCEL TAX FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Francisco Quality Teacher Education Act of 2008 Parcel Tax 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).

A. Financial Reporting Entity

The financial statements include the financial activity of the 2008 Parcel Tax Fund only. The Fund was established to account for the revenues and expenditures of parcel tax proceeds issued under the Proposition A Election of 2008. The proceeds of the special tax are to be applied only for the purposes of the Fund, and not any program, project or reduction other than authorized per the specified ballot language of the Fund. 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 levy of the special tax is \$198 per year per parcel of taxable real property in the District, commencing July 1, 2008, and adjusting for the change in the San Francisco All Items Consumer Price Index for All Urban Consumers each year thereafter, as reported by the US Department of Labor's Bureau of Labor Statistics. The tax levy amount for the year ended June 30, 2015 was \$224.56 per parcel.

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. 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 Indirect Costs

Indirect costs associated with the District's administration of the parcel tax program are allocated to the Parcel Tax Fund using the District's California Department of Education approved indirect cost rate.

D. <u>Use of Estimates</u>

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.

2008 PROPOSITION A PARCEL TAX FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 – INVESTMENTS

Investments at June 30, 2015 held on behalf of the 2008 Parcel Tax Fund of the San Francisco Unified School District consist of deposits in the County of San Francisco Treasury:

	Reported		Fair	
	Amount		Value	
Deposits with county treasurer	\$ 9,255,872	\$	9,261,174	

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 1.47 years.

NOTE 3 – TAX COLLECTION COSTS

The parcel tax is collected by the City and County of San Francisco's Office of the Treasurer and Tax Collector (Tax Collector). Costs associated with collection of taxes are passed along to the District as reduction of parcel tax proceeds, and are included in the statement of revenues, expenditures, and changes in fund balance. The Tax Collector passed along costs totaling \$115,000 for the year ended June 30, 2015.

NOTE 4 – RESTRICTED FUND BALANCE

Restricted fund balance refers to amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The fund balance of the parcel tax fund is restricted to expenditures that are authorized by the San Francisco Quality Teacher and Education Act of 2008.