

**SAN FRANCISCO UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2014**

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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JUNE 30, 2014

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SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
San Francisco Unified School District
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required de-recognition of deferred cost of issuance. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, including Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, including Management's Discussion and Analysis, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The supplementary information, including the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vasinek Time Day + Co. LLP

Palo Alto, California
December 12, 2014

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

PROFILE OF THE DISTRICT

The San Francisco Unified School District (“SFUSD” or the “District”) is the sixth largest school district in California, and currently educates approximately 56,000 students, including charter school pupils, who live in the 49 square mile area of the City and County of San Francisco. The San Francisco Unified School District was established in 1851. The District is governed by an elected Board of seven members. The District also administers the County Office of Education.

The District and County Office of Education provide pre-kindergarten, elementary, and secondary education in the City and County of San Francisco throughout multiple campuses, as follows:

- 72 elementary schools and K-8 schools
- 13 middle schools
- 18 senior high schools (including two continuation schools and an independent study school)
- 34 state-funded preschool sites
- 8 transitional kindergarten schools

The majority of the District’s schools have designated attendance areas giving priority to students living within those attendance boundaries. The remaining schools are “alternative schools” with no designated attendance area. All SFUSD schools enroll students based on parent/guardian request and provide significant opportunities for parental choice in enrollment.

The District is also the chartering entity and has oversight responsibility for thirteen charter schools: City Arts and Technology High School, Creative Arts Charter School, Five Keys Charter School, Five Keys Adult School, Five Keys Independent High School, Gateway High School, Gateway Middle School, KIPP Bay View Academy, KIPP Bay Academy, KIPP San Francisco College Preparatory, Leadership High School, Life Learning Academy, and Thomas Edison Charter Academy.

SFUSD is California’s highest performing large urban school district. Despite continued years of significant deficits at the State level and related shortfalls in funding of school districts resources, the District’s students have achieved eleven consecutive years of growth in academic performance, including significant gains by all groups of students. At the same time, however, wide gaps in achievement between groups of students persist.

The Board of Education adopted in May 2008 the District’s strategic plan, *Beyond the Talk: Taking Action to Educate Every Child Now*.

As identified in the plan, SFUSD is focused on the following goals:

- Access & Equity – Make social justice a reality
- Student Achievement – Engage high achieving and joyful learners
- Accountability – Keep our promises to students and families

Five years later and with a new leadership team at the helm, SFUSD refreshed and deepened this plan in its recently published strategic plan document: “Impact Learning. Impact Lives.”

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

A great deal of information about the strategic plan, including the full text of the plan and related objectives, initiatives, and resources can be found at www.sfusd.edu.

Richard A. Carranza assumed the role of Superintendent for SFUSD on June 26, 2012. Mr. Carranza, who previously served as SFUSD's Deputy Superintendent for Instruction, Innovation and Social Justice, has led the District in building a rigorous Common Core-based curriculum, investing in the professional learning of teachers, leaders and school staff, enlisting partners and engaging families in a community schools strategy, and building an accountability system that includes a comprehensive assessment of student learning.

The District's staff members share a commitment to deliver programs that will create the foundation for all students to achieve success. Each year, the SFUSD's educators and administrators assess each school's progress against established priorities, goals and objectives. Through the ongoing and expanding use of evaluation data, SFUSD continually reassesses its strategies, practices and allocation of resources. The District has been successful in introducing strategies that have helped in closing gaps in academic achievement outcomes among groups of students. Parents are also becoming more aware of high instructional quality and appealing programs at public schools across San Francisco, and more of the District's schools are continuing to gain state and federal recognition.

The State of California's fiscal challenges, particularly over the past decade, have had a significant impact on the funds available for school budgets. However, throughout this significant, protracted downturn in state funding, the District has stretched its resources to deliver high-quality educational services. As financial resources gradually stabilize, the District's teachers, principals, and other staff members are continuing their efforts to raise academic achievement of already high performing students and dramatically accelerate the achievement of those who need the most support to achieve SFUSD's vision for student success.

SFUSD's aim is to make sure all students are on a path to success in college, career, and life. To continue following through on our strategic plan's commitments, areas of focus (SFUSD's "Six Strategies for Success") include:

- Implementing the SFUSD Core Curriculum and using student data to make informed decisions and monitor our progress toward goals.
- Providing tiered levels of academic and behavior support to all students using a Response to Instruction and Intervention (RTI²) model.
- Building a clear vision, culture and conditions for college and career readiness at all school levels.
- Differentiating central office supports to schools through a Multi-Tiered System of Supports (MTSS).
- Recruiting, developing and retaining highly qualified teachers, leaders, and staff.
- Increasing awareness and building the supports necessary to fully implement SFUSD's Family Engagement Standards.

District staff members also continue to improve practices in financial planning and monitoring spending levels. SFUSD's ability to analyze and estimate revenues and expenses is essential due to the historical unpredictability of financial resources and the State-wide economic trends that may continue to affect the District's financial condition over the next several years, even as the State implements the new Local Control Funding Formula.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATION

Unrestricted General Fund Results of Operations

During fiscal year 2013-14, the District's unrestricted General Fund ending balance, which includes nonspendable, assigned, and unassigned balances, decreased from \$36.1 million to \$24.4 million, a \$11.7 million or 34.4% decrease. Total unrestricted General Fund revenues in the current year were \$435.5 million, an increase of \$40 million, or 10% compared to 2012-13.

Total expenditures of \$425 million represent an increase of \$24 million or 6% over 2012-13. Larger individual increases over 2012-13 include supervision of instruction, which increased by \$4.7 million or 33%; all other pupil services, which increased by \$3 million or 20%; and all other general administration which increased \$2.6 million or 18%. Transfers to the County School Service Fund of \$62.5 million, is an increase of \$4.3 million or 7% from 2012-13.

The unrestricted General Fund balance was required to contribute to other funds, primarily for special education, transportation, child development, and student nutrition. Transfers to other funds in the amount of \$9.6 million are \$0.3 million or 3% less than 2012-13.

General Fund Ending Balance and Reserves

The District's combined General Fund ending balance at June 30, 2014 (restricted plus unrestricted) is \$62.7 million. The restricted fund balance portion of \$38.4 million, will largely be used for instructional activities, but its use is restricted for specific program activities and cannot be counted as available, i.e., unrestricted reserves. The District's available reserves, consisting of reserves for economic uncertainty, and other unassigned reserves, are \$20.1 million.

The following comparison of revenue and expenditures focuses solely on General Fund operations. Table 1 shows the year to year revenue and Table 2 below shows the same comparison of expenditures.

Table 1

	2013	2014	Variance
Local control funding formula/revenue limit	\$ 262,489,868	\$ 375,832,260	\$ 113,342,392
Federal sources	51,811,711	37,406,980	(14,404,731)
Other state sources	133,119,329	56,710,288	(76,409,041)
Other local sources	125,416,660	149,669,365	24,252,705
Transfers in / Other sources	-	218,721	218,721
	<u>\$ 572,837,568</u>	<u>\$ 619,837,614</u>	<u>\$ 47,000,046</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Table 2

	<u>2013</u>	<u>2014</u>	<u>Variance</u>
Instruction	\$ 257,372,978	\$ 261,969,218	\$ (4,596,240)
Instruction related activities	121,255,168	132,783,414	(11,528,246)
Pupil services	41,640,007	45,325,938	(3,685,931)
General administration	27,367,240	27,916,858	(549,618)
Plant services	52,086,385	50,899,260	1,187,125
Facility acquisition and construction	3,171,096	4,272,987	(1,101,891)
Ancillary services	3,663,964	2,207,263	1,456,701
Enterprise	3,991	4,264	(273)
Other (outgo)	69,407,493	80,283,017	(10,875,524)
Debt service	2,638,820	2,798,878	(160,058)
Transfers out	11,718,037	9,043,610	2,674,427
	<u>\$ 590,325,179</u>	<u>\$ 617,504,707</u>	<u>\$ (27,179,528)</u>

Budgeting

The SFUSD adopted budget is developed based on the latest information on revenue projections received from the Governor's May revision to the State budget, which is typically released a few months before the final State budget is passed. The District held budget hearings and adopted the 2014-15 budget in accordance with provisions of the California Education Code. The budget reflects the District's goals to emphasize the achievement of all students and to narrow the achievement gap for the neediest students. Throughout the budget development process, staff is encouraged to work with the community to develop sound decisions that support the needs of all students.

Only grants that the District is certain of receiving are included in the adopted budget. Additional programs are budgeted as grant awards, and are received during the course of the year. Grants are budgeted to be fully expended. Carryover funds are budgeted when carryover balances are determined and per instructions from program managers.

As program needs change during the year, changes and revisions to the adopted budget are made throughout the year to reflect these changes. Budget transfers and budget revisions are made on an ongoing basis, and new programs are budgeted throughout the fiscal year. We have included a budgetary comparison schedule on page 54 providing the adopted and final budgets compared with actual revenues and expenditures.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations in *more detail* than the *government-wide statements*.
- The *governmental funds statements* tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary fund statements* offer financial information about the activities the District operates on a cost reimbursement basis, such as the self-insurance fund.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. Fiduciary fund activity is excluded from the *government-wide financial statements*.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with comparisons of the District’s General and County School Service Fund budgets, both the adopted and final version, with year-end actuals.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net position* and how they have changed. Net position – the difference between assets and liabilities – is one way to measure the District’s financial health.

- Over time, increases or decreases in the District’s net position may be an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District’s property tax base, its student enrollment data, the State’s fiscal health and the condition of school buildings and other facilities.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as payment of long-term debt) or to show that it is properly using certain revenues (such as Federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations between the district-wide statements and the fund financial statements are provided.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. Internal service funds (one kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the self-insurance fund.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's government-wide net position at June 30, 2014 totaled \$503 million. Of this amount, \$551 million represents net investment in capital assets, while \$120 million is restricted for various purposes. The deficit in unrestricted net position of \$167 million is primarily due to the District's postemployment benefits obligation, which totals \$188 million at June 30, 2014, an increase of \$31 million over the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of the year ended June 30, 2014, the District's capital assets totaled \$1,553 million. Accumulated depreciation was \$375 million at year end. Depreciation expense for the year totaled \$40 million. Net book value (the amount of total assets after applying depreciation) increased by \$65 million to \$1,178 million.

The District excludes from its capital assets any individual capital acquisitions less than \$25,000. The majority of the recorded historical cost of assets relates to the buildings and improvements of physical school sites.

The historical cost of land owned by the District is not considered significant and is excluded from total capital assets. Likewise, the original historical construction cost of most school sites dating back to the date the school was first opened have not been included as such costs would have been fully depreciated by the beginning year date of July 1, 2001. See Note 4 to the accompanying financial statements for a complete summary of the District's capital assets.

Long-Term Obligations

The District began the fiscal year with long-term debt obligations of \$873 million. Additions were \$289 million, consisting primarily of general obligation bond issuance of \$220 million - inclusive of premiums - and increases to the post employment benefits liability of \$65 million. Reductions consisted primarily of debt service payments of \$38 million and payments of current premiums on the post employment benefits liability of \$34 million. At June 30, 2014, the ending balance was \$1,089 million.

The significant items comprising the District's long-term obligations are as follows: \$874 million of general obligation bonds, \$188 million of postemployment benefits, and \$16 million of capital leases. The annual debt service requirement on the capital leases obligations approximates \$2.5 million and is funded from the General Fund. General obligation bonds are funded by a separate property tax override and do not require the use of District resources.

Other general long term obligations consist of the revenue limit deficit loan (of which \$1 million is outstanding as of June 30, 2014). Repayments extend over a ten-year window, concluding in fiscal year 2014-15 by offsetting to the District's second principal apportionment revenue limit. See Note 9 to the accompanying financial statements for a complete summary of long-term liabilities.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's staff continues to use assessments to measure and re-evaluate ways to invest in sound, educational, and programmatic activities while ensuring financial solvency. The District achieved its required reserve target of 2% for FY 2013-14 and currently projects that it will maintain its minimum reserve in both FY 2014-15 and FY 2015-16.

In addition to the Local Control Funding Formula income source, the District also received approximately \$243.8 million of other program funding from Federal, State, and local sources. In June 2008, Proposition A, the Quality Teacher & Education Act was passed by the voters of San Francisco, bringing \$30+ million per year for the next twenty years to the District beginning in fiscal year 2008-09. These resources assist in recruiting and retaining effective teachers, increasing accountability, and improving the District's technology infrastructure.

Another local revenue source that has been greatly beneficial to SFUSD is the City and County's Rainy Day Reserve (the Reserve), also known as an Economic Stabilization Reserve, pursuant to the San Francisco Administrative Code Charter Section 9.113.3, San Francisco Unified School District is entitled to receive appropriations from the Reserve under certain conditions. The amount that the District is eligible for in 2014-15 is projected to be \$11.1 million.

As it relates to future State Budgets, the District's ability to predict what actions will be taken in the future by the State Legislature and Governor to address the State's current or future budget and cash management practices is limited. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. However, in a welcome departure from the past several years, prospects for State funding are brighter due to recent improvement in California's economy and the implementation of the Local Control Funding Formula.

The District's Superintendent and senior staff members will continue to work very closely with the Board of Education to monitor revenues and manage expenditures. SFUSD is totally committed to take whatever measures are necessary to maintain a stable financial position. At the same time, the District will also continue its dedicated mission to ensure improvement in academic achievement, closing achievement gaps, improving its facilities, and meeting the priorities of the Board of Education and the San Francisco community. It is the District's goal to ensure that all children receive a quality education and a positive foundation necessary for them to achieve academic success.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to assist interested parties in understanding the District's sources and uses of resources. If you have questions about this report or need additional financial information, please contact Joseph Grazioli, Chief Financial Officer of the San Francisco Unified School District, 135 Van Ness Avenue, San Francisco, California 94102 or (415) 241-6542.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 882,086
Investments	528,376,978
Receivables	89,814,075
Prepaid expenses	2,620,660
Stores inventories	680,467
Capital assets, net of accumulated depreciation	<u>1,177,682,488</u>
Total Assets	<u>1,800,056,754</u>
Liabilities	
Liabilities	5,895,101
Accounts payable	58,216,492
Interest payable	13,209,407
Unearned revenue	6,912,101
Claim liabilities	33,078,167
Current loans	90,000,000
Current portion of long-term obligations	43,135,082
Noncurrent portion of long-term obligations	<u>1,046,284,259</u>
Total liabilities	<u>1,296,730,609</u>
Net Position	
Net investment in capital assets	550,676,277
Restricted	
Legally restricted	43,406,444
Debt service	20,152,198
Capital Projects	43,164,321
Self insurance	13,259,773
Unrestricted	<u>(167,332,868)</u>
Total Net Position	<u>\$ 503,326,145</u>

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 414,268,591	\$ 782,686	\$ 80,178,316	\$ 1,927,561	\$ (331,380,028)
Instruction related activities:					
Supervision of instruction	119,770,876	783,306	62,176,728	-	(56,810,842)
Instructional library and technology	9,171,596	178,152	2,934,560	-	(6,058,884)
School site administration	42,970,896	18,663	3,298,839	-	(39,653,394)
Pupil services:					
Home-to-school transportation	26,016,248	6,171	100,747	-	(25,909,330)
Food services	24,643,833	1,126,863	17,143,400	-	(6,373,570)
All other pupil services	59,508,557	324,484	16,459,938	-	(42,724,135)
General administration:					
Data processing	7,202,354	2,746	44,835	-	(7,154,773)
All other general administration	28,206,243	89,260	4,724,287	-	(23,392,696)
Plant services	60,378,874	69,119	1,845,924	-	(58,463,831)
Anciliary services	2,433,055	42,994	701,922	-	(1,688,139)
Interest on long-term obligations	48,498,225	-	-	-	(48,498,225)
Other outgo	8,980,220	97,016	6,604,401	-	(2,278,803)
Total Governmental Activities	\$ 852,049,568	\$ 3,521,460	\$ 196,213,897	\$ 1,927,561	(650,386,650)
General revenues and subventions:					
Property taxes, levied for general purposes					271,452,475
Property taxes, levied for debt service					74,446,793
Taxes levied for other specific purposes					72,448,817
Federal and state aid not restricted to specific purposes					130,483,014
Interest and investment earnings					2,890,758
Miscellaneous					83,168,448
Subtotal, general revenues					634,890,305
Change in net position					(15,496,345)
Net Position - Beginning					518,822,490
Net Position - Ending					\$ 503,326,145

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	General Fund	County School Service Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 500	\$ -	\$ -	\$ 18,578	\$ 19,078
Investments	110,771,055	7,749,851	281,903,010	81,944,920	482,368,836
Receivables	60,964,795	14,634,146	348,287	13,799,941	89,747,169
Prepaid expenditures	2,620,660	-	-	-	2,620,660
Stores inventories	667,397	-	-	13,070	680,467
Total Assets	\$ 175,024,407	\$ 22,383,997	\$ 282,251,297	\$ 95,776,509	\$ 575,436,210
LIABILITIES AND FUND BALANCES					
Liabilities					
Overdrafts	\$ -	\$ -	\$ -	\$ 5,895,101	\$ 5,895,101
Accounts payable	19,527,913	14,100,089	18,417,502	7,144,571	59,190,075
Current loans	90,000,000	-	-	-	90,000,000
Unearned revenue	2,758,654	394,445	-	3,759,002	6,912,101
Total Liabilities	112,286,567	14,494,534	18,417,502	16,798,674	161,997,277
Fund Balances					
Nonspendable	3,288,557	-	-	24,061	3,312,618
Restricted	38,359,629	3,467,173	263,833,795	76,507,808	382,168,405
Committed	-	-	-	1,402,788	1,402,788
Assigned	982,326	-	-	1,043,178	2,025,504
Unassigned	20,107,328	4,422,290	-	-	24,529,618
Total Fund Balances	62,737,840	7,889,463	263,833,795	78,977,835	413,438,933
Total Liabilities and Fund Balances	\$ 175,024,407	\$ 22,383,997	\$ 282,251,297	\$ 95,776,509	\$ 575,436,210

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Amounts reported for governmental funds in the statement of net position are different from the amounts reported in the fund level statements because of these items:

Total fund balance - governmental funds		\$ 413,438,933
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 1,553,153,898	
Accumulated depreciation is	<u>(375,471,410)</u>	
Net capital assets		1,177,682,488
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. In the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(11,635,708)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		13,259,773
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of the following items:		
General obligation bonds and premium	(874,657,967)	
Capital leases payable	(16,182,039)	
Compensated absences (vacations)	(9,854,347)	
Excess revenue limit transfers	(1,100,180)	
Post employment liability	<u>(187,624,808)</u>	
Long-term liabilities		<u>(1,089,419,341)</u>
Total net position - governmental activities		<u>\$ 503,326,145</u>

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	County School Service Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	\$ 375,832,260	\$ 10,689,008	\$ -	\$ -	\$ 386,521,268
Federal sources	37,406,980	13,112,037	-	31,236,356	81,755,373
Other state sources	56,710,288	43,007,270	-	12,644,658	112,362,216
Other local sources	149,669,365	71,402,767	8,884,647	96,922,893	326,879,672
Total Revenues	619,618,893	138,211,082	8,884,647	140,803,907	907,518,529
EXPENDITURES					
Current					
Instruction	261,969,218	91,783,256	-	23,522,569	377,275,043
Instruction related activities					
Supervision of instruction	90,555,830	12,515,803	-	5,584,277	108,655,910
Instructional library and technology	8,295,033	-	-	25,421	8,320,454
School site administration	33,932,551	1,370,181	-	3,680,383	38,983,115
Pupil Services:					
Home-to-school transportation	8,410,952	15,190,938	-	-	23,601,890
Food services	200,425	-	-	22,156,413	22,356,838
All other pupil services	36,714,561	17,098,425	-	173,063	53,986,049
General administration:					
Data processing	6,533,962	-	-	-	6,533,962
All other general administration	21,382,896	1,809,899	-	2,395,855	25,588,650
Plant services	50,899,260	167,980	-	2,392,898	53,460,138
Facility acquisition and construction	4,272,987	-	93,020,137	6,941,931	104,235,055
Ancillary services	2,207,263	-	-	-	2,207,263
Other outgo	80,283,017	-	-	-	80,283,017
Enterprise services	4,264	-	-	-	4,264
Debt service					
Principal	1,100,179	-	-	35,579,140	36,679,319
Interest and other	1,698,699	-	-	35,677,577	37,376,276
Total Expenditures	608,461,097	139,936,482	93,020,137	138,129,527	979,547,243
Excess (deficiency) of revenues over expenditures	11,157,796	(1,725,400)	(84,135,490)	2,674,380	(72,028,714)
OTHER SOURCES (USES):					
Transfers in	218,721	-	1,286,576	9,043,610	10,548,907
Other sources	-	-	205,000,000	15,310,751	220,310,751
Transfers out	(9,043,610)	-	-	(1,505,297)	(10,548,907)
Net Financing Sources (Uses)	(8,824,889)	-	206,286,576	22,849,064	220,310,751
NET CHANGE IN					
FUND BALANCES	2,332,907	(1,725,400)	122,151,086	25,523,444	148,282,037
Fund Balance - Beginning	60,404,933	9,614,863	141,682,709	53,454,391	265,156,896
Fund Balance - Ending	\$ 62,737,840	\$ 7,889,463	\$ 263,833,795	\$ 78,977,835	\$ 413,438,933

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities are different because of the following items:

Total net change in fund balances - governmental funds \$ 148,282,037

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities those costs are capitalized in the statement of net position as property and equipment. The cost is allocated over the estimated useful life of the asset as depreciation expense in the statement of activities.

This is the amount by which capitalized capital outlays exceed depreciation in the current period.

Capitalized capital outlays	\$ 104,235,054	
Depreciation expense	<u>(39,580,575)</u>	64,654,479

Repayment of capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 1,349,140

Proceeds received from sale of bonds is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities. (205,000,000)

Premium received from sales of general obligation bonds are revenues in the governmental funds, but they increase long-term liabilities in the statement of net position and does not affect the statement of activities. (15,310,751)

Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and do not affect the statement of activities. 34,230,000

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid). (4,051,294)

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2014

Amortization of bond premium is a revenue source in the statement of activities, but is not recognized in the governmental funds.	4,056,904
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest expense reported in the statement of activities is the result of this difference.	(9,829,695)
Due to the implementation of GASB Statement No. 65, de-recognition of the deferred cost of issuance is reflected as an expense on the statement of activities, but does not affect the governmental funds.	(3,438,367)
De-recognition of defeasance costs is an expense in the statement of activities, but is not recognized in the governmental funds.	(1,910,791)
In the statement of activities, the unfunded Annual Required Contribution (ARC) for other post employment benefits is recognized as an expense, but is not recognized in the governmental funds.	(30,675,398)
The excess revenue limit received during 2003-04 was recorded as revenue in the governmental funds and a long term liability in the statement of net position. The negotiated installment payments to repay the State are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	1,100,179
An internal service fund is used by the District's management to charge the costs of the employment insurance program to the individual funds. The increase in net position of the internal service fund is not reported in the governmental funds, but is reported in the statement of activities.	<u>1,047,212</u>
Decrease in net position of governmental activities	<u><u>\$ (15,496,345)</u></u>

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND STATEMENT OF NET POSITION JUNE 30, 2014

		Governmental Activities: Internal Service Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 863,008	
Investments	46,008,142	
Total cash and investments	<u>46,871,150</u>	\$ 46,871,150
Receivables		66,906
Total Current Assets		<u>46,938,056</u>
LIABILITIES		
Current liabilities		
Accounts payable		600,116
Claim liability - workers' compensation		32,600,000
Claim liability - dental		478,167
Total Current Liabilities		<u>33,678,283</u>
NET POSITION		
Restricted for insurance programs		<u>13,259,773</u>
Total Net Position		<u><u>\$ 13,259,773</u></u>

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
In-district premiums	\$ 21,776,670
Total operating revenues	<u>21,776,670</u>
OPERATING EXPENSES	
Payroll costs	1,056,140
Claims expense	20,010,810
Total operating expenses	<u>21,066,950</u>
Operating profit	709,720
NONOPERATING REVENUES	
Interest income	<u>337,492</u>
Change in Net Position	1,047,212
Net Position - Beginning	<u>12,212,561</u>
Net Position - Ending	<u><u>\$ 13,259,773</u></u>

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 21,776,670
Cash payments for insurance claims	(17,415,544)
Cash payments for payroll expense	(1,180,876)
Net cash provided by operating activities	<u>3,180,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>290,320</u>
Net increase in cash and cash equivalents	3,470,570
Cash and cash equivalents - Beginning of year	43,400,580
Cash and cash equivalents - End of year	<u>\$ 46,871,150</u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating profit	\$ 709,720
Increase in accrued liabilities	2,470,530
Net cash provided by operating activities	<u>\$ 3,180,250</u>

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	<u>Payroll Revolving Agency Fund</u>	<u>Student Body Agency Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,604,801	\$ 2,604,801
Investments	8,216,827	-	8,216,827
Total Assets	<u>\$ 8,216,827</u>	<u>\$ 2,604,801</u>	<u>\$ 10,821,628</u>
LIABILITIES			
Salaries and benefits payable	\$ 8,216,827	\$ -	\$ 8,216,827
Due to student groups	-	2,604,801	2,604,801
Total Liabilities	<u>\$ 8,216,827</u>	<u>\$ 2,604,801</u>	<u>\$ 10,821,628</u>

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Francisco Unified School District (the District) was established as the San Francisco School System in 1851 under the laws of the State of California. The District and County Office of Education (COE) operate under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by State and Federal agencies. The District and COE provide child care and elementary and secondary education in the City and County of San Francisco, California. The District also administers the COE fund (County School Service Fund). For financial reporting purposes, the District includes all funds, account groups, agencies, and authorities that are controlled by or are dependent on the District's executive or legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District. The District operates 8 transitional kindergartens, 72 elementary schools, 13 middle schools, 18 high schools, including 2 continuation schools, and an independent study alternative school. The District sponsors 13 Charter Schools. The District also maintains 34 early childhood education centers.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service and student related activities of the District and the COE.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is the same as the governing board of the District and because its purpose is to finance the acquisition and improvement of a new administration building to be used for the direct benefit of the District.

The San Francisco Unified School District Financing Corporation's (the Corporation) financial activity is presented in the financial statements as a fund of the Special Reserve Fund - Capital Outlay. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individual financial statements are not prepared for the Corporation.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Other Related Entities

Charter Schools The District has approved Charters for City Arts and Technology High School, Creative Arts Charter School, Five Keys Charter School, Five Keys Adult School, Five Keys Independent High School, Gateway High School, Gateway Middle School, KIPP Bay View Academy, KIPP San Francisco Bay Academy, KIPP San Francisco College Preparatory, Leadership High School, Life Learning Academy, and Thomas Edison Charter Academy pursuant to *Education Code* Section 47605. The Charter Schools are sponsored by the District but operate independently. Their financial activity is not presented in the District's financial statements except for the pass-through of State aid and property tax revenues.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary and fiduciary.

Major Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

County School Service Special Revenue Fund The County School Service Special Revenue fund is used to account for resources committed to Special Education, other County schools, and the Regional Occupation Program maintained by the District.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

Capital Projects Funds The Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

State School Building Lease-Purchase Fund The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55) or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self insurance fund for its workers' compensation, dental, and other post employment retiree benefits self insurance program that is accounted for as an internal service fund.

Fiduciary Funds Fiduciary Funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Private-purpose trust funds are accounted for as a restricted component of the General Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District maintains the following two Agency funds:

Payroll Revolving Agency Fund The Payroll Revolving Fund is used to account for assets held for employees for payroll withholding.

Student Body Agency Fund The Student Body Agency Fund is used to account for assets held for student organizations of schools in the District.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements, prepared on the accrual basis of accounting using the economic resources measurement focus, and the governmental fund statements, prepared on the modified accrual basis of accounting and using the flow of current financial resources measurement focus.

Proprietary Funds Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within ninety days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within ninety days. Principal and interest on general long-term obligations are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2014 consist of deposits with the County Treasurer and are stated at amortized cost which approximates fair value. Fair value is provided by the County Treasurer.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures during the period benefited.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption and unused donated commodities. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$25,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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When purchased, such assets are recorded as expenditures in the governmental funds but are capitalized and depreciated over their estimated service lives in the government-wide financial statements. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; equipment, 2 to 15 years.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. The amounts are reported in the fund from which the employees who have accumulated leave are paid.

Certificated Sick leave is accumulated without limit for each eligible employee at the rate of one unit for each month worked. Leave with pay is provided when employees are absent from reasons as stated in the various contracts. Employees who are retiring receive service credit for unused sick leave and employees transferring to other public school Districts can have their sick leave accrual forwarded to the new District. Employees who resign or are terminated do not get paid for unused sick leave accruals.

Instructional Aids Sick leave is accumulated at a rate of 0.05 times the number of regularly scheduled worked hours. Leave with pay is provided when employees are absent for reasons stated in the contract. Employees who are retiring receive payment for unused sick hours with a value of over \$200 and those hours are transferred to the school District's third party vendor for payment into a 403(b) account in compliance with all applicable rules and regulations. Employees may accumulate unused sick leave up to a maximum of 1,040 hours.

Classified Sick leave is accumulated at a rate of 0.05 times the number of regularly scheduled worked hours. Leave with pay is provided when employees are absent for reasons as stated in the various contracts. Employees may accumulate unused sick leave up to the maximum of 1,040 hours.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term obligations are not recognized as liabilities in governmental funds but are disclosed in the notes to financial statements. Debt service expenditures, including principal and interest on bonds and capital leases, are recognized as expenditures in governmental funds when paid.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - 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.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has \$503 million in net position as of June 30, 2014. Of that amount \$551 million represents capital assets net of related debt. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Francisco bills and collects the taxes in behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and

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financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No.68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 482,387,914	
Less: deficit cash (overdraft)	<u>(5,895,101)</u>	
Total governmental funds		\$ 476,492,813
Self insurance fund		46,871,150
Fiduciary funds		<u>10,821,628</u>
Total Deposits and Investments		<u><u>\$ 534,185,591</u></u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks		\$ 3,486,887
Deposits with county treasurer	536,593,805	
Less: deficit cash (overdraft)	<u>(5,895,101)</u>	
Total deposits with county treasurer		<u>530,698,704</u>
Total Deposits and Investments		<u><u>\$ 534,185,591</u></u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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 San Francisco County Pool. The book value of these investments at June 30, 2014 is \$534,185,591 and the fair value is \$534,548,579. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has been rated as of June 30, 2014.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance of \$3,107,634 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Service Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government						
Categorical aid	\$ 16,234,331	\$ 4,679,118	\$ -	\$ 8,648,757	\$ 29,562,206	\$ -
State Government						
Apportionment	24,131,082	8,839,849	-	-	32,970,931	-
Categorical aid	628,379	926,594	-	220,730	1,775,703	-
Lottery	4,350,709	188,585	-	-	4,539,294	-
Local Government						
Interest	183,806	-	348,287	132,171	664,264	-
Local Sources	15,436,488	-	-	4,798,283	20,234,771	66,906
Total Accounts						
Receivable	<u>\$ 60,964,795</u>	<u>\$ 14,634,146</u>	<u>\$ 348,287</u>	<u>\$ 13,799,941</u>	<u>\$ 89,747,169</u>	<u>\$ 66,906</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Balance June 30, 2014
Governmental Activities *			
Capital assets being depreciated			
Buildings and improvements	\$ 1,399,198,937	\$ 104,105,616	\$ 1,503,304,553
Furniture and equipment	49,719,907	129,438	49,849,345
Total capital assets being depreciated	<u>1,448,918,844</u>	<u>104,235,054</u>	<u>1,553,153,898</u>
Less accumulated depreciation			
Buildings and improvements	303,086,012	37,900,341	340,986,353
Furniture and equipment	32,804,823	1,680,234	34,485,057
Total accumulated depreciation	<u>335,890,835</u>	<u>39,580,575</u>	<u>375,471,410</u>
Governmental activities - capital assets, net	<u>\$ 1,113,028,009</u>	<u>\$ 64,654,479</u>	<u>\$ 1,177,682,488</u>

* Costs of land and old buildings are not included as the majority of them were acquired more than 100 years ago. The acquisition costs are not material to the financial statements.

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 20,293,566
Supervision of instruction	6,097,342
Instructional library and technology	466,911
School site administration	2,187,579
Home to school transportation	1,324,445
Food services	1,254,578
All other pupil services	3,029,485
Ancillary services	123,863
Enterprise activities	239
All general administration	1,435,934
Data processing services	366,660
Plant services	2,999,973
Total depreciation expense, governmental activities	<u>\$ 39,580,575</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer Out	Transfers In			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 9,043,610	\$ 9,043,610
County School Facilities Fund	-	1,286,576	-	1,286,576
Special Reserve, Capital Outlay Fund	218,721	-	-	218,721
Total interfund transfers	<u>\$ 218,721</u>	<u>\$ 1,286,576</u>	<u>\$ 9,043,610</u>	<u>\$ 10,548,907</u>

The Restricted General Fund transferred to the Child Development Fund to cover the operating deficit.	\$ 1,814,000
The Unrestricted General Fund transferred to the Child Development Fund to cover the operating deficit.	4,185,463
The Unrestricted General Fund transferred to the Cafeteria Fund to cover the operating deficit.	3,044,147
The County School Facilities Fund transferred to Building Fund for construction cost reimbursements.	1,286,576
The Special Reserve for Capital Outlay Fund transferred lease revenues to the General Fund.	218,721
Total interfund transfers	<u>\$ 10,548,907</u>

Included as other local sources in the statement of revenues, expenditures, and changes in fund balances of the County School Service Special Revenue Fund is \$62,479,303 of which the source is the District General Fund.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	County School Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Vendor payables	\$ 15,677,484	\$ 7,428,117	\$ 18,417,502	\$ 1,954,924	\$ 43,478,027	\$ 600,116
State categorical	2,276,703	-	-	5,189,647	7,466,350	-
Federal categorical	27	6,671,972	-	-	6,671,999	-
TRANS Interest	1,573,699	-	-	-	1,573,699	-
Total Accounts Payable	<u>\$ 19,527,913</u>	<u>\$ 14,100,089</u>	<u>\$ 18,417,502</u>	<u>\$ 7,144,571</u>	<u>\$ 59,190,075</u>	<u>\$ 600,116</u>

Additional interest payable in the statement of net position includes \$11,635,708 for accrued interest on long term obligations.

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund	County School Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 1,407,458	\$ 290,462	\$ 2,730	\$ 1,700,650
State categorical aid	1,351,196	103,983	3,756,272	5,211,451
Total unearned revenue	<u>\$ 2,758,654</u>	<u>\$ 394,445</u>	<u>\$ 3,759,002</u>	<u>\$ 6,912,101</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On August 15, 2013, the District issued \$90,000,000 of Tax and Revenue Anticipation Notes bearing interest at two percent. The notes were issued to supplement cash flows. Repayment requirements are that 50 percent of principal and interest be deposited with the Fiscal Agent by January 31, 2014, until 100 percent of principal and interest is due on account by April 30, 2014. Interest and principal are due and payable on August 14, 2014. Accrued interest on the TRANS obligation was \$1,573,699 at June 30, 2014. Outstanding TRANS on June 30, 2014 consists of the following:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2013	Additions	Payments	Outstanding June 30, 2014
8/15/2013	2.00%	8/14/2014	\$ -	\$ 90,000,000	\$ -	\$ 90,000,000

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in one year
General obligation bonds	\$ 647,360,000	\$ 205,000,000	\$ 34,230,000	\$ 818,130,000	\$ 35,485,000
Bond premium	45,274,120	15,310,751	4,056,904	56,527,967	4,056,904
Bond defeasance costs	(1,910,791)	-	(1,910,791)	-	-
Accumulated vacation	5,803,053	4,051,294	-	9,854,347	-
Capital leases	17,531,179	-	1,349,140	16,182,039	2,492,998
Revenue limit deficit	2,200,359	-	1,100,179	1,100,180	1,100,180
Post employment liability	156,949,410	65,037,374	34,361,976	187,624,808	-
	<u>\$ 873,207,330</u>	<u>\$ 289,399,419</u>	<u>\$ 73,187,408</u>	<u>\$ 1,089,419,341</u>	<u>\$ 43,135,082</u>

Payment of the general obligation bonds will be made by the Bond Interest and Redemption Fund. The Bond Interest and Redemption Fund receives property tax revenues which are used solely to repay the principal and interest due on these obligations. The amount has been assigned in the fund balance of Special Reserve – Capital Projects Fund. The accrued vacation and postemployment liability will be paid by the fund for which the employee worked at time of payment. Payments on capital leases will be made by the Special Reserve – Capital Fund which also receives contributions from the General Fund. The revenue limit deficit will be deducted from the General Fund annual apportionment.

Outstanding general obligation bonded debt

Bond Issuance	Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2013	Issued (Redeemed)	Outstanding June 30, 2014
2003, Series 2006C	10/12/06	6/15/26	4.00-5.00%	\$ 92,000,000	\$ 68,680,000	\$ (3,990,000)	\$ 64,690,000
2006, Series 2007A	02/28/07	6/15/27	3.00-5.00%	100,000,000	79,525,000	(4,100,000)	75,425,000
2006, Series 2009B	01/22/09	6/15/27	1.50-5.25%	150,000,000	112,340,000	(8,260,000)	104,080,000
2006, Series 2010C	05/19/10	5/15/27	5.74%	12,955,000	12,955,000	-	12,955,000
2006, Series 2010D	05/19/10	6/15/30	5.74%	72,370,000	72,370,000	-	72,370,000
2006, Series 2010E	05/19/10	6/15/23	0.50-5.00%	99,675,000	83,090,000	(6,695,000)	76,395,000
2011, Series 2012A	03/06/12	6/15/32	4.00-5.00%	115,000,000	111,390,000	(3,790,000)	107,600,000
2012 Refunding	03/06/12	6/15/25	0.30-5.00%	116,140,000	107,010,000	(7,395,000)	99,615,000
2011, Series B 2014	01/23/14	6/15/33	3.0%-5.0%	205,000,000	-	205,000,000	205,000,000
					<u>\$ 647,360,000</u>	<u>\$ 170,770,000</u>	818,130,000
						Unamortized bond premium	56,527,967
						Total	<u>\$ 874,657,967</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Debt Service Requirement to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 35,485,000	\$ 38,165,907	\$ 73,650,907
2016	57,935,000	36,458,057	94,393,057
2017	46,315,000	33,585,307	79,900,307
2018	48,585,000	31,325,207	79,910,207
2019	50,895,000	29,015,657	79,910,657
2020-2024	289,570,000	106,966,485	396,536,485
2025-2029	196,345,000	45,544,203	241,889,203
2030-2033	93,000,000	8,953,117	101,953,117
Total	<u>\$ 818,130,000</u>	<u>\$ 330,013,940</u>	<u>\$ 1,148,143,940</u>

Accumulated Unpaid Employee Vacation and Vested Sick Leave

Full-time District employees are entitled to 10-20 vacation days a year, depending upon length of service, for which up to 30 working days in excess of the employee’s annual vacation award may be carried over to the next year.

Increases to vested compensated absences reflect net changes during the year ended June 30, 2014. Also, the City and County of San Francisco Charter provisions allow classified employees to accumulate up to 130 working days of sick leave. Certificated employees, under State law, are allowed to accumulate unlimited days of sick leave. Upon normal retirement, the District will redeem 100 percent of the sick leave accrued by classified personnel prior to December 5, 1978, and no sick leave accrued after December 5, 1978. No sick leave amounts are payable to certificated personnel upon normal retirement, or to employees who terminate for any reason prior to retirement.

Capital Leases

Reported with capital assets are the energy retrofit capital lease of \$32,947,132 and corresponding accumulated depreciation of \$19,768,279 at June 30, 2014. The District's liabilities on lease agreements with options to purchase are summarized below:

	<u>Energy Retrofit</u>
Balance, Beginning of Year	\$ 23,106,268
Payments	(2,420,386)
Balance, End of Year	<u>\$ 20,685,882</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2015	\$ 2,492,998
2016	2,567,788
2017	2,644,822
2018	2,724,166
2019	2,805,890
2020-2022	7,450,218
Total	20,685,882
Less: Amount Representing Interest	4,503,843
Present Value of Minimum Lease Payments	<u>\$ 16,182,039</u>

Revenue Limit Deficit

Due to a change in the way the State calculated the revenue limit for the 2003-04 fiscal year, the District recorded negative State aid in the amount of \$10,051,433. This negative amount is normally considered to be a current liability as the District owes the money back to the State. The District met with the State and the two parties agreed to a repayment plan that will allow the District to repay this obligation over ten years. At June 30, 2014, the principal balance outstanding for the District was \$1,100,180. The terms of the agreement call for the District to repay the balance, in the form of a reduction of subsequent years' state apportionments, without interest. The final payment of \$1,100,180 will be made during the 2014-15 fiscal year.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$64,141,676, and contributions made by the District during the year were \$34,361,976. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$7,847,471 and \$(6,951,773), respectively, which resulted in an increase to the net OPEB obligation of \$30,675,398. As of June 30, 2014, the District has not funded the obligation. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	County School Service Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	\$ 500	\$ -	\$ -	\$ 10,991	\$ 11,491
Stores inventories	667,397	-	-	13,070	680,467
Prepaid expenditures	2,620,660	-	-	-	2,620,660
Total nonspendable	3,288,557	-	-	24,061	3,312,618
Restricted					
Legally restricted	38,359,629	3,467,173	-	1,555,581	43,382,383
Capital projects	-	-	263,833,795	43,164,321	306,998,116
Debt services	-	-	-	31,787,906	31,787,906
Total restricted	38,359,629	3,467,173	263,833,795	76,507,808	382,168,405
Committed					
Deferred maintenance	-	-	-	1,402,788	1,402,788
Total committed	-	-	-	1,402,788	1,402,788
Assigned					
Tier III commitment	982,326	-	-	-	982,326
Capital projects	-	-	-	1,043,178	1,043,178
Total assigned	982,326	-	-	1,043,178	2,025,504
Unassigned					
Reserve for economic uncertainties	12,125,058	2,749,701	-	-	14,874,759
Remaining unassigned	7,982,270	1,672,589	-	-	9,654,859
Total unassigned	20,107,328	4,422,290	-	-	24,529,618
Total fund balances	\$ 62,737,840	\$ 7,889,463	\$ 263,833,795	\$ 78,977,835	\$ 413,438,933

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Reconciliation to Statement of Net Position The following is a reconciliation of the difference between the unassigned general fund balance and the unrestricted net position deficit as shown in the Statement of Net Position:

Balance per Governmental Funds Balance Sheet	\$ 20,107,328
Add Back	
Tier III assigned balance	982,326
General Fund revolving cash	500
General Fund prepaid operating expenditures	2,620,660
General Fund inventory	667,397
County School Service Fund unassigned fund balance	4,422,290
Deferred Maintenance Fund committed fund balance	1,402,788
Special Reserve Fund for Capital Outlay assigned fund balance	1,043,178
Deduct	
Compensated absences liability	(9,854,347)
Revenue limit deficit	(1,100,180)
Other post employment benefits liability	(187,624,808)
Balance per Statement of Net Position	<u><u>\$ (167,332,868)</u></u>

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lease, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2015	\$ 6,678,377
2016	6,218,178
2017	6,289,630
2018	6,252,628
2019	6,417,910
Thereafter	113,666,668
Total	<u><u>\$ 145,523,391</u></u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is an agent multiple-employer (agent) defined benefit healthcare plan administered by the City and County of San Francisco Health Service System (HSS). The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 5,038 retirees and their beneficiaries currently receiving benefits and 6,805 active plan members. The unfunded portion of the annual requirement contributions (net OPEB obligation) is presented in the statement of net position as a portion of long-term obligations.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CEA, CSEA and the unrepresented groups. For fiscal year 2013-14, the District contributed \$34,361,976 to the plan, all of which was used for current premiums (approximately 50 percent of total premiums). The non-Medicare retirees pay 50% of active employee contributions up to cap and the Medicare retirees pay 50% of the difference between active employee contributions up to cap.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 64,141,676
Interest on net accrued OPEB obligation	7,847,471
Adjustment to annual required contribution	(6,951,773)
Annual OPEB cost (expense)	<u>65,037,374</u>
Contributions made	<u>(34,361,976)</u>
Increase in net OPEB obligation	30,675,398
Net OPEB obligation, beginning of year	156,949,410
Net OPEB obligation, end of year	<u><u>\$ 187,624,808</u></u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2014	\$ 65,037,374	\$ 34,361,976	53%	\$ 187,624,808
2013	63,543,205	33,886,544	53%	156,949,410
2012	63,379,332	34,664,509	55%	127,292,749

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([(b - a) / c]
December 1, 2013	\$ -	\$ 680,924,643	\$ 680,924,643	0.00%	\$ 422,361,017	161%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on assumed long term return on plan assets or employer assets, as appropriate. Healthcare cost trend rate is four percent with the assumption that trend increases in excess of general inflation result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. The UAAL is being amortized at a level percentage of payroll method. The UAAL is amortized using an opened amortization period of thirty years. The remaining amortization period at July 1, 2014, was thirty years, on an open basis. The actuarial value of assets was not determined in the valuation.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund and Self Insurance Funds. Employee life, health, and disability programs are administered through the purchase of commercial insurance. Employee dental and workers' compensation insurance is provided on a self-funded basis.

The District participates in Schools Excess Liability Fund (SELF) joint powers authority (JPA). The District pays annual contributions to SELF for additional excess liability coverage. Additional commercial insurance is also purchased for excess workers' compensation, property, general liability, crime, student foreign travel, and student accidents. For workers' compensation coverage, the District maintains a \$500,000 self-insured retention, with \$150,000,000 in coverage through Safety National for excess coverage. The District maintains property coverage through Axis Insurance and RSUI Indemnity Company in the amount of \$300 million per occurrence, with a \$100,000 deductible. The District does not maintain insurance for earthquake risks.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claim Liabilities – Self Insurance Fund

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities for workers' compensation are based on a current actuarial study using the "expected value" as the basis for the total liability. The worker's compensation liabilities are reported at their present value using an expected future investment yield assumption of two percent. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2012 to June 30, 2014:

	<u>Total</u>
Liability Balance, July 1, 2012	\$ 27,464,285
Claims and changes in estimates	21,135,798
Claims payments	<u>(18,117,182)</u>
Liability Balance, June 30, 2013	30,482,901
Claims and changes in estimates	21,066,950
Claims payments	<u>(18,471,684)</u>
Liability Balance, June 30, 2014	<u>\$ 33,078,167</u>
Assets available to pay claims at June 30, 2014	<u>\$ 46,337,940</u>

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans. All eligible employees are eligible to participate under defined benefit retirement plans maintained by agencies of the City and County of San Francisco and the State of California. Certificated employees hired as of or after July 1, 1972, are eligible to participate in the cost-sharing multiple-employer, contributory California State Teachers' Retirement System (CalSTRS). Classified employees and certain certificated employees hired prior to July 1, 1972, are eligible to participate in the single-employer San Francisco Employees' Retirement System (SFERS).

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605 or online at www.calstrs.com.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25 percent of annual payroll. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$24,777,345, and \$23,740,327, and \$23,290,306 respectively, and equal 100 percent of the required contributions for each year.

SFERS

Plan Description

The District contributes to the San Francisco Employees' Retirement System (SFERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the City and County of San Francisco (the City). SFERS is a separate department of the City, deriving its powers, functions, and responsibility from the City charter and ordinances of the Board of Supervisors of the City. Substantially all employees of the City and County are member including most of the District's classified permanent full-time employees and certain certificated employees hired prior to July 1, 1972. Members are classified according to City bargaining units as police, fire, and miscellaneous. District employees are members of the miscellaneous pool. The retirement fund provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. Employees with 20 years of service who have attained age 50 or those with 10 years of service who have attained age 60 are eligible for retirement benefits. SFERS issues a separate annual financial report that includes financial statements and required supplementary information. Copies of the SFERS annual financial report may be obtained online at www.sfers.org.

Funding Policy

In accordance with the City charter, District participants contribute 7.5 percent to 12.0 percent of their salaries to the SFERS. The funding policy of SFERS provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to SFERS to pay District participants' benefits when due. Employer contribution rate for the year ended June 30, 2014 was 24.82 percent of covered payroll. During the years ended June 30, 2014, 2013, and 2012 the District's contributions were \$15,790,954, \$12,890,078, and \$11,692,725 respectively, and equal 100 percent of the required contributions for each year.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

SRP

The SRP is a defined benefit retirement plan that was available to eligible certificated bargaining unit members that elected to participate during the enrollment period ending in fiscal years 1994 and 1998 as part of an early retirement program. Benefits available to participants under SRP include life annuity equal to 7 percent of final annual salary or other actuarially equivalent benefits. The District funds these benefits on a pay-as-you-go basis.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. The amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

The State contributions to CalSTRS are as follows:

Fiscal Year	Percent of Annual Payroll	General Fund	County School Fund	Child Development Fund	Total State Contribution
2013-14	5.541%	\$ 12,571,992	\$ 2,451,432	\$ 616,029	\$ 15,639,453
2012-13	5.176%	11,527,019	2,248,151	645,407	14,420,577
2011-12	4.855%	11,532,668	2,203,878	526,720	14,263,266

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is involved in litigation on various matters arising in 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, 2014.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Construction Commitments:

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

Capital Project Site	Remaining Construction Commitment	Expected Date of Completion
300 Seneca - New Academic Campus	\$ 4,726,835	1-Mar-2015
Cesar Chavez Chavez Elementary School	1,363,856	31-Aug-2014
George Peabody Elementary School	1,790,590	31-Jan-2015
Gordon Lau Elementary School	12,280,890	16-Jan-2016
Jose Ortega Elementary School	9,041,400	7-Aug-2015
Lowell High School	2,839,118	11-Oct-2015
Miraloma Elementary School	6,656,038	12-Sep-2015
Miscellaneous construction commitments	2,326,279	16-Jan-2016
Monroe Elementary School	4,863,321	19-Jan-2015
Phillip and Sala Burton High School	23,980,523	6-Sep-2016
Roosevelt Middle School	11,607,490	24-Aug-2015
School of the Arts / Mcateer	1,251,924	27-Sep-2014
Starr King Elementary School	6,937,214	1-Aug-2015
Sunnyside Elementary School	6,294,534	2-Oct-2015
William L. Brown Jr. Academy	29,564,175	30-Jun-2015
Total construction commitments	\$ 125,524,187	

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the School Project for Utility Rate Reduction (SPURR) and participates in the Schools Excess liability Fund (SELF) joint powers authority (JPA). The District pays annual contributions to SELF for additional excess liability coverage. The relationship between the District and the JPA's is such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

NOTE 17 - ADOPTION OF NEW ACCOUNTING STANDARDS

As of July 1, 2013, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required de-recognition of deferred cost of issuance. The amount of \$3,438,367 is recognized as a component of interest expense on the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
Revenues				Final to Actual
Local Control Funding Formula	\$ 283,861,246	\$ 364,197,224	\$ 375,832,260	\$ 11,635,036
Federal sources	32,474,985	51,393,882	37,406,980	(13,986,902)
Other state sources	128,612,686	57,287,836	44,138,296	(13,149,540)
Other local sources	144,377,125	142,587,122	149,669,365	7,082,243
TOTAL REVENUES¹	589,326,042	615,466,064	607,046,901	(8,419,163)
Expenditures				
Current				
Certificated salaries	245,140,179	248,201,837	245,973,902	2,227,935
Classified salaries	73,068,050	74,567,181	70,231,423	4,335,758
Employee benefits	125,046,086	122,300,753	117,352,041	4,948,712
Books and supplies	19,295,608	29,808,458	23,388,708	6,419,750
Services and operating expenditures	52,400,930	55,938,843	58,420,939	(2,482,096)
Other outgo	68,997,679	79,401,257	76,188,463	3,212,794
Capital outlay	707,735	3,242,085	1,534,751	1,707,334
Debt service - principal	1,100,179	1,100,179	1,100,179	-
Debt service - interest	1,698,699	1,698,699	1,698,699	-
TOTAL EXPENDITURES¹	587,455,145	616,259,292	595,889,105	20,370,187
Excess (deficiency) of revenues over expenditures	1,870,897	(793,228)	11,157,796	11,951,024
Other Financing Uses				
Transfers in	-	-	218,721	218,721
Transfers out	(11,486,386)	(11,486,386)	(9,043,610)	2,442,776
NET FINANCING SOURCES (USES)	(11,486,386)	(11,486,386)	(8,824,889)	2,661,497
NET CHANGE IN FUND BALANCES	(9,615,489)	(12,279,614)	2,332,907	14,612,521
Fund balance - Beginning	60,404,933	60,404,933	60,404,933	-
Fund balance - Ending	<u>\$ 50,789,444</u>	<u>\$ 48,125,319</u>	<u>\$ 62,737,840</u>	<u>\$ 14,612,521</u>

¹ For comparison purpose, on behalf payments of \$12,571,992 in Note 14 of the financial statements are excluded from this schedule.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**COUNTY SCHOOL SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
Revenue				Final to Actual
Local Control Funding Formula	\$ 13,393,229	\$ 15,904,184	\$ 10,689,008	\$ (5,215,176)
Federal sources	15,001,758	14,538,555	13,112,037	(1,426,518)
Other state sources	48,258,061	42,292,554	40,555,838	(1,736,716)
Other local sources	66,086,560	69,834,429	71,402,767	1,568,338
TOTAL REVENUES¹	142,739,608	142,569,722	135,759,650	(6,810,072)
Expenditures				
Current				
Certificated salaries	49,239,569	48,575,931	47,962,839	613,092
Classified salaries	26,347,387	25,882,443	25,265,685	616,758
Employee benefits	31,114,662	30,728,303	27,581,128	3,147,175
Books and supplies	1,856,037	1,978,713	1,596,744	381,969
Services and operating expenditures	36,156,371	36,449,490	35,078,654	1,370,836
Capital outlay	-	104,746	-	104,746
TOTAL EXPENDITURES¹	144,714,026	143,719,626	137,485,050	6,234,576
NET CHANGE IN FUND BALANCES	(1,974,418)	(1,149,904)	(1,725,400)	(575,496)
Fund balance - Beginning	9,614,863	9,614,863	9,614,863	-
Fund balance - Ending	<u>\$ 7,640,445</u>	<u>\$ 8,464,959</u>	<u>\$ 7,889,463</u>	<u>\$ (575,496)</u>

¹ For comparison purpose, on behalf payments of \$2,451,432 in Note 14 of the financial statements are excluded from this schedule.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
December 1, 2013	\$ -	\$ 680,924,643	\$ 680,924,643	0.00%	\$ 422,361,017	161%
December 1, 2011	\$ -	736,931,483	736,931,483	0.00%	396,102,456	186%
November 1, 2009	\$ -	552,653,686	552,653,686	0.00%	370,787,776	149%

SUPPLEMENTARY INFORMATION

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
Safe and Supportive Schools Programmatic Intervention	84.184	¹	\$ 249,347
Career and Technical Education	84.048	14894	247,536
No Child Left Behind			
Title I			
School Improvement Grant	84.377	15127	1,296,485
ARRA - School Improvement Grant	84.388	15004	3,792,439
Part A, Basic Grants Low Income and Neglected	84.010	14329	9,222,343
Part A, School Wide Plan	84.010	10003	4,251,464
Part A, Program Improvement LEA Corrective Action	84.010	14955	42,463
Part C, Migrant Ed - Regular Program	84.011	14326	213,912
Part C, Migrant Ed - Summer Program	84.011	10005	18,325
Part D, Local Delinquent Programs	84.010	14357	133,668
Part G, Advanced Placement Test Fee Reimbursement	84.000	¹	269,297
Title II			
Part A, Teacher Quality	84.367	14341	3,021,179
Part A, Administrator Training	84.367	14344	33,458
Part B, CA Mathematics and Science Partnership	84.366	14512	187,172
Part D, Enhancing Education Through Technology	84.318	14334	25,851
Part D, ARRA Enhancing Education Through Technology	84.318	14368	616
Title III			
Immigrant Education Program	84.365	15146	533
Limited English Proficient Student Program	84.365	14346	1,733,553
Title IV			
Part B, 21st Century Community Learning Centers	84.287	14349	7,596,236
Title V			
Part B, Public Charter Schools Grant Program	84.282	14531	84,255

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
Individuals with Disabilities Education Act			
Early Intervention Grants	84.181	23761	162,623
Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	10,618,648
Part B, Sec 611, Mental Health Allocation Plan	84.027	14468	597,143
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	643,044
Part B, Sec 611, Quality Assurance and Focused Monitoring	84.027	13693	4,935
Part B, Sec 619, Preschool Grants	84.173	13430	130,897
Part B, Private School ISPs	84.027	15000	195,527
Part B, Sec 619, Preschool Staff Development	84.173A	13431	7,629
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	70,192
U.S. DEPARTMENT OF EDUCATION			
Direct Grants			
Elementary and Secondary School Counseling Programs	84.215E	1	129,402
Mission Promise Neighborhood	84.215N	1	562,458
Maximizing our Transcultural Heritage Educational Resource	84.293A	1	8,100
Gaining Early Awareness and Readiness for Undergraduates	84.334A	1	1,571,427
Transition to Teaching	84.350A	1	199,700
Indian Education	84.060	1	14,909
Total U.S. Department of Education			47,336,766
U.S. DEPARTMENT OF DEFENSE			
Passed through California Department of Education			
Junior Reserve Officers Training Corps	12.000	1	414,703
Total U.S. Department of Defense			414,703

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Especially Needy Breakfast Program	10.553	13526	1,920,551
Special Milk Program for Children	10.556	13527	911,685
National School Lunch Program	10.555	13391/13396	10,799,442
Child Care Food Program - Centers and Family Day Homes	10.558	13393	1,358,989
Commodity Supplemental Food Program ³	10.555	¹	258,892
Fresh Fruit and Vegetable Program	10.582	14968	5,264
Passed through California Department of Public Health			
Supplemental Nutrition Assistance Program	10.561	¹	215,486
Total U.S. Department of Agriculture			<u>15,470,309</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Grant			
Mentoring for Success - Youth with Disabilities	16.000	¹	73,882
Passed through University of Georgia			
Group Mentoring for Resilience	16.726	¹	37,372
Total U.S. Department of Justice			<u>111,254</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Grant			
Substance Abuse and Mental Health Services	93.243	¹	118,397
Comprehensive School Health Programs	93.938	¹	441,178
Passed through California Department of Education			
Federal Child Care, Center-based	93.596	13609	12,896,072
Passed through California Department of Health Care Services			
Medi-Cal Billing Option	93.778	10013	1,705,090
Head Start	93.600	10016	1,349,956
Total U.S. Department of Health and Human Services			<u>16,510,693</u>
Total Expenditures of Federal Awards			<u><u>\$ 79,843,725</u></u>

¹ Pass-through identifying number not applicable/available.

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

ORGANIZATION

The San Francisco Unified School District was established in 1851 and consists of an area comprising approximately 49 square miles. The District operates 8 transitional kindergartens, 72 elementary schools, 13 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 34 state-funded preschool sites.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Sandra Lee Fewer	President	2017
Emily M. Murase, Ph. D	Vice President	2015
Matthew Haney	Commissioner	2017
Kim-Shree Maufas	Commissioner	2015
Hydra B. Mendoza	Commissioner	2015
Rachel Norton	Commissioner	2017
Jill Wynns	Commissioner	2017

ADMINISTRATION

Richard Carranza	Superintendent of Schools
Donald Davis	General Counsel
Guadalupe Guerrero	Deputy Superintendent, Instruction, Innovation & Social Justice
Myong Leigh	Deputy Superintendent, Policy & Operations
Laura Moran	Chief of Staff
Karling Aguilera Fort	Assistant Superintendent of Superintendent Zone - Mission
Elizabeth Blanco	Assistant Superintendent, Special Education
Carla Bryant	Chief of Early Childhood Education
Monica Vasquez	Chief of Human Resources
Leticia Salinas	Assistant Superintendent, Elementary - Cohort I
DeeDee Desmond	Assistant Superintendent of Superintendent Zone - Bayview
David Goldin	Chief Facilities Officer
Joseph Grazioli	Chief Financial Officer
David Wong	Assistant Superintendent, Elementary - Cohort II
Matthew McKenzie	Chief Technology Officer
Jeannie Pon	Assistant Superintendent, Middle Schools
Janet Schulze	Assistant Superintendent, High Schools
Brent Stephens	Assistant Superintendent, Elementary - Cohort III
Kevin Truitt	Associate Superintendent, Student Support Services
Luis Valentino	Chief Academic Officer, Curriculum and Instruction
See accompanying note to supplementary information.	

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Report	
	Amended Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	17,016.48	17,032.06
Fourth through sixth	11,211.01	11,213.91
Seventh and eighth	6,688.19	6,701.62
Ninth through twelfth	14,463.94	14,418.59
Total Regular ADA	<u>49,379.62</u>	<u>49,366.18</u>
Extended Year Special Education		
Transitional kindergarten through third	328.81	328.50
Fourth through sixth	310.39	308.85
Seventh and eighth	202.68	203.14
Ninth through twelfth	585.09	582.30
Total Extended Year Special Education	<u>1,426.97</u>	<u>1,422.79</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	4.40	6.38
Fourth through sixth	21.92	24.40
Seventh and eighth	30.73	34.06
Ninth through twelfth	62.87	69.23
Total Special Education, Nonpublic, Nonsectarian Schools	<u>119.92</u>	<u>134.07</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	32.71	32.71
Fourth through sixth	24.73	24.73
Seventh and eighth	17.42	17.42
Ninth through twelfth	44.14	44.14
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>119.00</u>	<u>119.00</u>
Community Day School		
Fourth through sixth	0.33	0.37
Seventh and eighth	2.66	2.76
Ninth through twelfth	67.74	68.52
Total Community Day School	<u>70.73</u>	<u>71.65</u>
Juvenile Halls, Homes and Camp, Probation Referred		
Elementary	9.37	9.58
High School	114.91	110.02
Total Juvenile Halls, Homes and Camp, Probation Referred	<u>124.28</u>	<u>119.60</u>
Total ADA	<u>51,240.52</u>	<u>51,233.29</u>

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2013-14 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	46,200	180	Complied
Grades 1 - 3					
Grade 1	50,400	49,000	50,520	180	Complied
Grade 2	50,400	49,000	50,520	180	Complied
Grade 3	50,400	49,000	50,520	180	Complied
Grades 4 - 6					
Grade 4	54,000	52,500	54,000	180	Complied
Grade 5	54,000	52,500	54,000	180	Complied
Grade 6	54,000	52,500	57,690	180	Complied
Grades 7 - 8					
Grade 7	54,000	52,500	57,690	180	Complied
Grade 8	54,000	52,500	57,690	180	Complied
Grades 9 - 12					
Grade 9	64,800	63,000	64,820	180	Complied
Grade 10	64,800	63,000	64,820	180	Complied
Grade 11	64,800	63,000	64,820	180	Complied
Grade 12	64,800	63,000	64,820	180	Complied

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

There were no adjustments to the unaudited actual financial report, which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues	\$ 627,946,285	\$ 607,265,622	\$ 561,310,549	\$ 564,345,754
Expenditures	629,303,910	595,889,105	567,080,123	557,859,381
Other uses and transfers out	11,200,971	9,043,610	11,718,037	6,882,333
Total Expenditures and Other Uses	640,504,881	604,932,715	578,798,160	564,741,714
CHANGE IN FUND BALANCE	\$ (12,558,596)	\$ 2,332,907	\$ (17,487,611)	\$ (395,960)
ENDING FUND BALANCE	\$ 50,179,244	\$ 62,737,840	\$ 60,404,933	\$ 77,892,544
AVAILABLE RESERVES	\$ 25,310,936	\$ 20,107,328	\$ 31,946,753	\$ 46,398,384
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.95%	3.32%	5.52%	8.22%
LONG-TERM OBLIGATIONS	\$ 1,046,284,259	\$ 1,089,419,341	\$ 873,207,330	\$ 892,695,298
AVERAGE DAILY ATTENDANCE AT P-2 ²	51,143	51,241	51,269	51,381

The General Fund balance has decreased by \$15,154,704 over the past two years. The fiscal year 2014-15 budget projects a decrease of \$12,558,596, or 20 percent. For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in the General Fund during two of the three prior years. However, the General Fund experienced an operating surplus in fiscal year 2014. The District anticipates a General Fund operating deficit during the 2014-15 fiscal year. Total long-term liabilities have increased by \$196,724,043 over the past two years. The primary reason for the increase in long-term liabilities is due to the issuance of general obligation bonds and actuarially calculated post employment benefits.

Average daily attendance has decreased by 140 over the past two years. A decrease of 98 ADA is anticipated during fiscal year 2014-15.

Available reserves declined \$26,291,056 from 2011-12. However, the District projects an increase of \$5,203,608 during the 2014-15 fiscal year.

¹ Budget 2015 is based on the most current District projection and is included for analytical purposes only and has not been subjected to audit.

² ADA amounts include District and County programs.

³ On behalf payments of \$12,571,992, \$11,527,019, and \$11,532,668 are excluded from this schedule.

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2014

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
City Arts and Technology High School	No
Creative Arts Charter School	No
Five Keys Adult School	No
Five Keys Charter School	No
Five Keys Independence High School	No
Gateway High School	No
Gateway Middle School	No
KIPP Bayview Academy	No
KIPP San Francisco Bay Academy	No
KIPP San Francisco College Preparatory	No
Leadership High School	No
Life Learning Academy	No
Thomas Edison Charter Academy	No

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Special Revenue Funds		
	Child Development	Cafeteria	Deferred Maintenance
ASSETS			
Cash	\$ -	\$ 10,991	\$ 7,587
Investments	-	-	1,551,917
Receivables	9,357,443	4,310,327	2,257
Stores inventories	-	13,070	-
Total Assets	\$ 9,357,443	\$ 4,334,388	\$ 1,561,761
LIABILITIES AND FUND BALANCES			
Liabilities			
Overdrafts	\$ 2,110,686	\$ 3,784,415	\$ -
Accounts payable	5,701,786	512,572	158,973
Unearned revenue	-	2,730	-
Total Liabilities	7,812,472	4,299,717	158,973
Fund Balances			
Nonspendable	-	24,061	-
Restricted	1,544,971	10,610	-
Committed	-	-	1,402,788
Assigned	-	-	-
Total Fund Balances	1,544,971	34,671	1,402,788
Total Liabilities and Fund Balances	\$ 9,357,443	\$ 4,334,388	\$ 1,561,761

See accompanying note to supplementary information.

Capital Project Funds				Debt Service Funds		Total Non-Major Governmental Funds
Capital Facilities	State School Building	County School Facilities	Special Reserve Capital Outlay	Bond Interest and Redemption	Tax Override	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,578
29,856,418	4,289,291	9,006,888	5,519,660	31,687,477	33,269	81,944,920
43,418	6,238	13,098	-	67,160	-	13,799,941
-	-	-	-	-	-	13,070
<u>\$ 29,899,836</u>	<u>\$ 4,295,529</u>	<u>\$ 9,019,986</u>	<u>\$ 5,519,660</u>	<u>\$ 31,754,637</u>	<u>\$ 33,269</u>	<u>\$ 95,776,509</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,895,101
393,918	-	-	377,322	-	-	7,144,571
-	3,756,272	-	-	-	-	3,759,002
<u>393,918</u>	<u>3,756,272</u>	<u>-</u>	<u>377,322</u>	<u>-</u>	<u>-</u>	<u>16,798,674</u>
-	-	-	-	-	-	24,061
29,505,918	539,257	9,019,986	4,099,160	31,754,637	33,269	76,507,808
-	-	-	-	-	-	1,402,788
-	-	-	1,043,178	-	-	1,043,178
<u>29,505,918</u>	<u>539,257</u>	<u>9,019,986</u>	<u>5,142,338</u>	<u>31,754,637</u>	<u>33,269</u>	<u>78,977,835</u>
<u>\$ 29,899,836</u>	<u>\$ 4,295,529</u>	<u>\$ 9,019,986</u>	<u>\$ 5,519,660</u>	<u>\$ 31,754,637</u>	<u>\$ 33,269</u>	<u>\$ 95,776,509</u>

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds		
	Child Development	Cafeteria	Deferred Maintenance
REVENUES			
Federal sources	\$ 15,605,016	\$ 13,631,678	\$ -
Other state sources	9,591,983	1,042,298	-
Other local sources	8,371,493	1,671,528	13,127
Total Revenues	33,568,492	16,345,504	13,127
EXPENDITURES			
Current			
Instruction	23,522,569	-	-
Instruction related activities:			
Supervision of instruction	5,584,277	-	-
Instructional library, media and technology	25,421	-	-
School site administration	3,680,383	-	-
Pupil Services:			
Food services	3,554,934	18,601,479	-
All other pupil services	173,063	-	-
General administration:			
All other general administration	1,569,301	826,554	-
Plant services	869,098	-	-
Facility acquisition and construction	55,000	6,100	458,891
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	39,034,046	19,434,133	458,891
Excess (deficiency) of revenues over expenditures	(5,465,554)	(3,088,629)	(445,764)
Other Financing Sources:			
Transfers in	5,999,463	3,044,147	-
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources	5,999,463	3,044,147	-
NET CHANGE IN FUND BALANCES	533,909	(44,482)	(445,764)
Fund Balance - Beginning	1,011,062	79,153	1,848,552
Fund Balance - Ending	\$ 1,544,971	\$ 34,671	\$ 1,402,788

See accompanying note to supplementary information.

Capital Project Funds				Debt Service Funds		Total Non-Major Governmental Funds
Capital Facilities	State School Building	County School Facilities	Special Reserve Capital Outlay	Bond Interest and Redemption	Tax Override	
\$ -	\$ -	\$ -	\$ -	\$ 1,999,662	\$ -	\$ 31,236,356
-	-	1,823,507	-	186,870	-	12,644,658
8,905,437	33,232	70,822	3,383,158	74,474,096	-	96,922,893
8,905,437	33,232	1,894,329	3,383,158	76,660,628	-	140,803,907
-	-	-	-	-	-	23,522,569
-	-	-	-	-	-	5,584,277
-	-	-	-	-	-	25,421
-	-	-	-	-	-	3,680,383
-	-	-	-	-	-	22,156,413
-	-	-	-	-	-	173,063
-	-	-	-	-	-	2,395,855
-	-	-	1,523,800	-	-	2,392,898
5,438,530	-	608,478	374,932	-	-	6,941,931
-	-	-	1,349,140	34,230,000	-	35,579,140
-	-	-	1,071,251	34,606,326	-	35,677,577
5,438,530	-	608,478	4,319,123	68,836,326	-	138,129,527
3,466,907	33,232	1,285,851	(935,965)	7,824,302	-	2,674,380
-	-	-	-	-	-	9,043,610
-	-	-	-	15,310,751	-	15,310,751
-	-	(1,286,576)	(218,721)	-	-	(1,505,297)
-	-	(1,286,576)	(218,721)	15,310,751	-	22,849,064
3,466,907	33,232	(725)	(1,154,686)	23,135,053	-	25,523,444
26,039,011	506,025	9,020,711	6,297,024	8,619,584	33,269	53,454,391
\$ 29,505,918	\$ 539,257	\$ 9,019,986	\$ 5,142,338	\$ 31,754,637	\$ 33,269	\$ 78,977,835

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**GENERAL UNRESTRICTED AND RESTRICTED FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Unrestricted	Restricted	Total General Fund
ASSETS			
Cash and cash equivalents	\$ 500	\$ -	\$ 500
Investments	87,260,191	23,510,864	110,771,055
Receivables	36,672,931	24,291,864	60,964,795
Stores inventories	667,397	-	667,397
Prepaid expenditures	2,620,660	-	2,620,660
Total Assets	\$ 127,221,679	\$ 47,802,728	\$ 175,024,407
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 12,843,468	\$ 6,684,445	\$ 19,527,913
Current loans	90,000,000	-	90,000,000
Unearned revenue	-	2,758,654	2,758,654
Total Liabilities	102,843,468	9,443,099	112,286,567
Fund Balances			
Nonspendable	3,288,557	-	3,288,557
Restricted	-	38,359,629	38,359,629
Assigned	982,326	-	982,326
Unassigned	20,107,328	-	20,107,328
Total Fund Balances	24,378,211	38,359,629	62,737,840
Total Liabilities and Fund Balances	\$ 127,221,679	\$ 47,802,728	\$ 175,024,407

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**GENERAL UNRESTRICTED AND RESTRICTED FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Unrestricted	Restricted	Total General Fund
REVENUES			
Local Control Funding Formula	\$ 375,832,260	\$ -	\$ 375,832,260
Federal sources	679,632	36,727,348	37,406,980
Other state sources	15,205,751	41,504,537	56,710,288
Other local sources	43,741,359	105,928,006	149,669,365
Total Revenues	435,459,002	184,159,891	619,618,893
EXPENDITURES			
Current			
Instruction	202,157,809	59,811,409	261,969,218
Instruction related activities			
Supervision of instruction	19,063,185	71,492,645	90,555,830
Instructional library and technology	907,727	7,387,306	8,295,033
School site administration	33,114,860	817,691	33,932,551
Pupil Services			
Home-to school transportation	5,815,431	2,595,521	8,410,952
Food services	194,586	5,839	200,425
All other pupil services	18,034,360	18,680,201	36,714,561
General administration			
Data processing	6,418,845	115,117	6,533,962
All other general administration	16,993,177	4,389,719	21,382,896
Plant services	41,418,554	9,480,706	50,899,260
Facility acquisition and construction	715,341	3,557,646	4,272,987
Ancillary services	405,053	1,802,210	2,207,263
Other outgo	76,930,141	3,352,876	80,283,017
Enterprise services	-	4,264	4,264
Debt service			
Principal	1,100,179	-	1,100,179
Interest	1,698,699	-	1,698,699
Total Expenditures	424,967,947	183,493,150	608,461,097
Excess of expenditures over revenues	10,491,055	666,741	11,157,796
OTHER FINANCING SOURCES (USES):			
Transfers in	218,721	-	218,721
Transfers out	(7,229,610)	(1,814,000)	(9,043,610)
Other sources (uses)	(15,175,384)	15,175,384	-
Net Financing Uses	(22,186,273)	13,361,384	(8,824,889)
NET CHANGE IN FUND BALANCES	(11,695,218)	14,028,125	2,332,907
Fund Balance - Beginning	36,073,429	24,331,504	60,404,933
Fund Balance - Ending	\$ 24,378,211	\$ 38,359,629	\$ 62,737,840

See accompanying note to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 81,755,373
Federal interest subsidy on Qualified Construction Bonds and Build America Bonds	Not Applicable	(1,999,662)
Various grants reported as unearned revenue	84.000	(170,878)
Noncash Federal awards are not recorded on the Financial Statements	10.555	258,892
Total Schedule of Expenditures of Federal Awards		\$ 79,843,725

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to sub-recipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Title I, Part A, Basic Grants Low Income and Neglected	84.010	\$ 544,813
Title II, Part A, Teacher Quality	84.367	17,930
Total		\$ 562,743

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report, to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all schools chartered by the District or County Office of Education, and displays information for each charter school on whether or not the school is included in the District audit.

Non-Major Governmental Funds – Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

General Unrestricted and Restricted Funds – Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The General Unrestricted and Restricted Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the unrestricted and restricted funds that have been included in the General Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
San Francisco Unified School District
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2014.

Change in Accounting Principles

The District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasinek Time Day + Co. LLP

Palo Alto, California
December 12, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
San Francisco Unified School District
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited the San Francisco Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. The major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vasinek Trine Day + Co. LLP

Palo Alto, California
December 12, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
San Francisco Unified School District
San Francisco, California

Report on State Compliance

We have audited the San Francisco Unified School District's (the District) compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of District's compliance with those requirements.

Unmodified Opinion on Each Program

In our opinion District's complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Yes
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No*
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

*We did not perform testing for California Clean Energy Jobs Act because the District has not spent the award as of June 30, 2014.

Vawrinck Time Day + Co. LLP

Palo Alto, California
December 12, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>94.596</u>	<u>Child Care and Development</u>
<u>84.027</u>	<u>Special Education</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,395,312</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for all state programs:	<u>Unmodified</u>
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SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

2013-1 Code 40000

Criteria

The purpose of the After School Education and Safety (ASES) program is to support student success in school by providing academic support and enrichment opportunities. An ASES after school program was never intended to be a drop-in or child care program. The legislature determined that regular attendance would serve as the measure for demonstrating compliance with the legislation's purpose (EDC §8483[a][1]), intent (EDC §8483[a][2]), and criteria for ongoing program funding (EDC §8483.7[a][1][A]).

Each site operating an After School Education and Safety (ASES) program is required to have sign-in and sign-out procedures, including early-release and late-arrival procedures, and to maintain documentation in order to support the reported attendance.

Condition

A portion of reported students served resulted from attendance inconsistent with the ASES early release policy because the established policy is not consistently followed. We identified instances of early dismissal, yet the sign out documentation lacks required elements such as time, signature, or reconciliation to the established early release policy. We also identified instances where the documentation does not provide a record of the dismissal time.

For the ASES sites where this condition is applicable, the portion of reported students served that resulted in attendance of less than a full day is as follows:

ASES School Site	Days Examined	Errors Noted	%
Bessie Carmichael	342	66	19.3%
Buena Vista	655	99	15.1%
James Denman	427	11	2.6%
Mckinley	817	31	3.8%
Miraloma	587	37	6.3%

Questioned Costs

ASES grants are direct funded as three-year renewable grants per site; grants are not reimbursed for earned attendance. A discrepancy in the number of students served in the current year will not impact current year funding, but it could very well impact funding for future periods. The funding amounts for future years are based on a number of factors of which number of students served is one. As such it is not possible to project what the fiscal impact of the errors noted above will have on current or future site grant award amounts.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Context

We do not question if the District is providing an after school program consistent with the intent of the ASES program. However, the level of documentation related to attendance reporting does not meet the requirements set forth by regulatory literature for five identified sites of the District's 74 ASES after school programs.

Effect

Operating a program inconsistent from the intent can result in the District unable to provide a basis for future funding.

Recommendation

Sites and the District should enhance procedures to review the sign-in and sign-out documentation on a periodic basis to ensure that early dismissal is consistent with the established early release policy.

It is also recommended that the District provide additional training to site coordinators of rules and regulations regarding attendance tracking and reporting. Site coordinators should be reminded of the need to document when a student signs out of the program, signature, time, and a connection to the early release policy. Because of the inevitable turnover of personnel that occurs, this type of training should be given on an as needed basis, but at least annually. The District should consider frequent internal audits of the sites.

Corrective Action Plan

The District has redesigned its online attendance system to ensure increased compliance with the ASES early release policy. In addition to the annual August training on the rules and regulations regarding attendance tracking and reporting, the District has implemented quarterly attendance trainings to ensure that any new staff have the training they need to ensure compliance with the attendance tracking procedures. The District has also initiated bi-annual attendance site reviews in the Fall and the Spring. During the site visits, program staff are provided with individual training and given two weeks to correct any findings. Program staff are also required to attend the appropriated quarterly attendance training.

Current Year Status

Implemented.