

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
2008 PROPOSITION A PARCEL TAX FUND
JUNE 30, 2014**

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2008 PROPOSITION A PARCEL TAX FUND

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Citizen's Oversight Committee
San Francisco Unified School District

We have audited the accompanying financial statements of San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund (the Fund), of the San Francisco Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fund'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund of the San Francisco Unified School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
March 13, 2015

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2008 PROPOSITION A PARCEL TAX FUND BALANCE SHEET JUNE 30, 2014

ASSETS

Cash and investments	\$ 9,259,475
Accounts receivable	4,019
Total Assets	<u>\$ 9,263,494</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 212,948
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FUND BALANCE

Restricted	<u>9,050,546</u>
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Total Liabilities and Fund Equity	<u>\$ 9,263,494</u>
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The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**2008 PROPOSITION A PARCEL TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

EXPENDITURES

Current Expenditures

Salary adjustments	12,907,929
Technology	5,370,622
School district compensation support	2,477,966
Equity adjustments	2,009,726
Professional development days	1,776,080
Teaching in a hard to staff school	1,603,568
Charter schools	1,067,975
Innovation, research & development	1,001,198
Indirect cost	996,276
Additional professional development support	947,492
Additional peer assistance review coaches	527,233
Master teachers	502,583
Stipend for paraprofessionals	350,750
Teaching in a hard to fill subject area	345,554
Member health dependent (\$10 per month)	314,805
Paraprofessional retirement	250,594
Retention Bonus - eight years	180,000
Retention Bonus - four years	171,250
Tuition reimbursement for uncertified teachers	166,280
Additional paraprofessional development	143,183
Substitute benefits	135,461
School-wide recognition	106,516
Oversight	90,424
Stipend for CDP teachers	77,000
Urban teacher residency	63,232
Substitute bonus	45,800
Non-personnel	2,803

Total Expenditures 33,632,300

EXCESS OF REVENUES OVER EXPENDITURES 2,538,189

FUND BALANCE, BEGINNING OF YEAR 6,512,357

FUND BALANCE, END OF YEAR \$ 9,050,546

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

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2008 PROPOSITION A PARCEL TAX FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund (the Fund) of the San Francisco Unified School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The financial statements include the financial activity of the 2008 Parcel Tax Fund only. The Fund was established to account for the revenues and expenditures of parcel tax proceeds issued under the Proposition A Election of 2008. These financial statements are not intended to present the financial position and results of operations of the San Francisco Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized levy of the special tax is \$198 per year per parcel of taxable real property in the District, commencing July 1, 2008, and adjusting for the change in the San Francisco All Items Consumer Price Index for All Urban Consumers each year thereafter, as reported by the US Department of Labor's Bureau of Labor Statistics. The tax levy amount for the year ended June 30, 2014 was \$224.55 per parcel.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

C. Allocation of Indirect Costs

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

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

Investments at June 30, 2014 held on behalf of the 2008 Parcel Tax Fund of the San Francisco Unified School District consist of deposits in the County of San Francisco Treasury:

	Reported Amount	Fair Value
Deposits with county treasurer	\$ 9,259,475	\$ 9,265,767

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of amortized cost which approximately fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. The county pool investments have an average maturity of 2.41 years.

NOTE 3 – TAX COLLECTION COSTS

The parcel tax is collected by the City and County of San Francisco's Office of the Treasurer and Tax Collector (Tax Collector). Costs associated with collection of taxes are passed along to the District as reduction of parcel tax proceeds, and accordingly are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance. The Tax Collector passed along costs totaling \$236,569 for the year ended June 30, 2014.

NOTE 4 – RESTRICTED FUND BALANCE

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