

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
2008 PROPOSITION A PARCEL TAX FUND  
JUNE 30, 2016**

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

## **2008 PROPOSITION A PARCEL TAX FUND**

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**JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund (the Fund), of the San Francisco Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund (the Fund) of the San Francisco Unified School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund and do not purport to, and do not, present fairly the financial position of the San Francisco Unified School District, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Vawter Time Day + Co. LLP*

Palo Alto, California  
March 9, 2017

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**2008 PROPOSITION A PARCEL TAX FUND  
BALANCE SHEET  
JUNE 30, 2016**

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ASSETS

Cash and investments	\$ 10,388,919
Total Assets	<u>\$ 10,388,919</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 242,690
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FUND BALANCE

Restricted	<u>10,146,229</u>
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Total Liabilities and Fund Equity	<u>\$ 10,388,919</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, 2016

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### REVENUES AND OTHER SOURCES

Parcel Tax Proceeds	\$ 39,195,161
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### EXPENDITURES

#### Current Expenditures

Salary adjustments	16,818,467
Technology	5,904,746
Equity adjustments	2,067,022
Professional development days	1,929,237
Teaching in a hard to staff school	1,893,407
Indirect cost	1,304,776
Teaching in a hard to fill subject area	1,257,394
Charter schools	1,122,918
Master teachers	910,924
School-wide recognition	677,412
Retention Bonus - four years	553,261
Additional peer assistance review coaches	553,253
Innovation, research and development	529,435
Stipend for paraprofessionals	437,486
Retention Bonus - eight years	433,930
Additional competitive compensation and professional development support	393,841
Member health dependent (\$10 per month)	322,420
Paraprofessional retirement	250,572
Additional paraprofessional development	249,451
Substitute benefits	173,036
Tax collection cost	115,000
Stipend for early education and early development teachers	90,505
Oversight	79,018
Urban teacher residency	69,891
Substitute bonus	55,047
Tuition reimbursement for special education training	4,804
Non-personnel (Community Boards)	525

Total Expenditures	<u>38,197,778</u>
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EXCESS OF REVENUES OVER EXPENDITURES	997,383
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FUND BALANCE, BEGINNING OF YEAR	<u>9,148,846</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 10,146,229</u></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 NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Francisco Quality Teacher Education Act of 2008 Parcel Tax Fund (the Fund) of the San Francisco Unified School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. Financial Reporting Entity

The financial statements include the financial activity of the 2008 Parcel Tax Fund only. The Fund was established to account for the revenues and expenditures of parcel tax proceeds issued under the Proposition A Election of 2008. The proceeds of the special tax are to be applied only for the purposes of the Fund, and not any program, project or reduction other than authorized per the specified ballot language of the Fund. These financial statements are not intended to present the financial position and results of operations of the San Francisco Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized levy of the special tax is \$198 per year per parcel of taxable real property in the District, commencing July 1, 2008, and adjusting for the change in the San Francisco All Items Consumer Price Index for All Urban Consumers each year thereafter, as reported by the US Department of Labor's Bureau of Labor Statistics. The tax levy amount for the year ended June 30, 2016 was \$230.94 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## 2008 PROPOSITION A PARCEL TAX FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### NOTE 2 – INVESTMENTS

Investments at June 30, 2016 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	\$ 10,388,919	\$ 10,390,390

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

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. The county pool investments have an average maturity of 1.02 years.

**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 San Francisco County Investment Pool is not required to be rated, nor has been rated as of June 30, 2016.

**Custodial Credit Risk** – This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. As of June 30, 2016, the District investment portfolio is not exposed to custodial credit risk because the portfolio consists exclusively of investments in the San Francisco County Investment Pool. Investments in external investment pools are not considered to have exposure to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Fair Value Measurements** – The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

## **2008 PROPOSITION A PARCEL TAX FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Francisco County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

#### **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 and paid by the QTEA Parcel Tax Fund. The Tax Collector passed along costs totaling \$115,000 for the year ended June 30, 2016.

#### **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.