

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Francisco Unified School District

We have audited the accompanying financial statements of the 2010 Proposition A School Facilities Special Tax (the Proposition), 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 Proposition, 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

**2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND
BALANCE SHEET
JUNE 30, 2014**

ASSETS

Cash and investments	\$ 9,030,050
Accounts receivable	13,132
Total assets	<u>\$ 9,043,182</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 491,049
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FUND BALANCE

Undesignated	<u>8,552,133</u>
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Total Liabilities and Fund Equity	<u>\$ 9,043,182</u>
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The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2014

REVENUES AND OTHER SOURCES

Parcel tax proceeds	\$ 7,519,151
Interest income	65,816
Total revenues	<u>7,584,967</u>

EXPENDITURES

Current expenditures

General construction	3,483,762
Salaries and benefits	2,105,507
Repair and maintenance	1,709,748
Maintenance supplies	400,000
Environmental services	112,368
Architect and engineering fees	70,915
Haz-mat abatement	48,159
Consultant fees	21,370
Materials	13,813
Supplies	13,808
Postage	8,618
Other services and expenses	6,900
Fees and permits	6,593
Preliminary tests	4,370
Equipment rental	1,468
Telecommunications	358

Total expenditures	<u>8,007,757</u>
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CHANGE IN FUND BALANCE	(422,790)
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FUND BALANCE, BEGINNING OF YEAR	<u>8,974,923</u>
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FUND BALANCE, END OF YEAR	<u>\$ 8,552,133</u>
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The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 2010 Proposition A School Facilities Special Tax fund (the Proposition) 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 2010 Proposition A School Facilities Special Tax only. 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 for the current year is \$32.20 annually on non-residential parcels and single family residential parcels and \$16.10 per dwelling unit on multi-family residential parcels, commencing July 1, 2010, 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.

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 Proposition 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. 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 during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

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.

Investments consist of deposits in the San Francisco County treasure investment pool. The book value of these investments at June 30, 2014 is \$9,030,050 and the fair value is \$9,036,190.

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 1.94 years.