

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**2010 PROPOSITION A SCHOOL  
FACILITIES SPECIAL TAX FUND  
FINANCIAL REPORT**

**June 30, 2016**

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

## **2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND**

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**June 30, 2016**

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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, 2016, and the related notes to the financial statements, which collectively comprise the Proposition'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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition 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 2010 Proposition A School Facilities Special 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.

Vavrinek, Trine, Day   
Palo Alto, California  
July 31, 2017

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND  
BALANCE SHEET  
JUNE 30, 2016**

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ASSETS

Cash and investments	\$ 9,769,021
Accounts receivable	10,555
Total Assets	<u>\$ 9,779,576</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,273,784
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FUND BALANCE

Restricted	8,505,792
Total Liabilities and Fund Balance	<u>\$ 9,779,576</u>

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, 2016

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### REVENUES AND OTHER SOURCES

Parcel tax proceeds	\$ 7,984,301
Interest income	53,067
Total Revenues	<u>8,037,368</u>

### EXPENDITURES

Current expenditures	
General construction	4,957,957
Salaries and benefits in support of facilities improvements	2,323,206
Repair and maintenance	1,272,536
Architect and engineering fees	331,581
Environmental and geotech services	139,975
Tax collection cost	115,000
Telecommunications	24,567
Haz-mat abatement	23,918
Consultant fees	23,800
Supplies	16,199
Materials and printing	10,290
Postage	9,446
Preliminary tests	2,444
Equipment costs	1,411
Fees and permits	750
Other services and expenses	266
Total Expenditures	<u>9,253,346</u>

### CHANGE IN FUND BALANCE

(1,215,978)

FUND BALANCE, BEGINNING OF YEAR

9,721,770

FUND BALANCE, END OF YEAR

\$ 8,505,792

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 THE FINANCIAL STATEMENTS JUNE 30, 2016

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### 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. Investments

Investments held at June 30, 2016 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.

#### D. Fund Balance

As of June 30, 2016, fund balance is classified as restricted. The restricted fund balance represents amounts that can be spent only for specific purposes specified in the 2010 Proposition A School Facilities Special Tax.

#### E. 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## 2010 PROPOSITION A SCHOOL FACILITIES SPECIAL TAX FUND

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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#### F. 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. The County of San Francisco bills and collects the taxes in behalf of the District. Local property tax revenues are recorded when received.

#### NOTE 2 – INVESTMENTS

Investment in County Treasury – The District is an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with the County Treasurer (Education Code Section 41001). The fair value of the District's investment in the San Francisco County Treasury Investment 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 Treasury Investment Pool. The book value of these investments at June 30, 2016 is \$9,769,021 and the fair value is \$9,770,404

**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 Treasury Investment Pool. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 372 days on June 30, 2016.

**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 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. Investments in the San Francisco County Treasury Investment Pool are uncategorized because the 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.