

**SAN FRANCISCO UNIFIED  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2010**

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; 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 Educational Agencies 2009-10*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 San Francisco Unified School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information, such as budgetary comparison and other postemployment information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vawrinck Trine Day + Co. LLP

Palo Alto, California  
December 15, 2010

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### PROFILE OF THE DISTRICT

The San Francisco Unified School District ("SFUSD" or the "District") is the seventh largest school district in California, and currently educates approximately 56,000 students 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
- 19 senior high schools (including two continuation schools and an independent study school)
- 36 state-funded preschool sites

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 eleven (11) active Charter Schools: Creative Arts, Life Learning, Gateway High School, Leadership High School, Five Keys Academy School, KIPP Bay View Academy, KIPP Bay Academy, City Arts and Technology High School, Metropolitan Arts and Technology High School, Five Keys Adult School and Five Keys Independent High School.

SFUSD has made considerable progress in helping the students achieve academic success. The District's schools have been improving consistently, supported by staff members dedicated to academic excellence for all students. The District's educators are passionate, lifelong learners who are deeply committed to high-quality public education and providing quality service for student success.

SFUSD is California's highest performing large urban school district. Despite years of significant deficits at the State level and related shortfalls in funding of school districts resources, the District's students have achieved nine consecutive years of growth in academic performance, including significant gains by all groups of students.

SFUSD performance is recognized by internal as well as external sources. The District's staff continues to review and seek ways to enhance the process in the educating 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 District's staff members share a commitment to continuously introducing programs that will continue to create the foundation for all students to achieve success. Each year, the District'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 those strategies that have helped in closing gaps in academic achievement outcomes among groups of students.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2010**

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Carlos A. Garcia, who previously served as the Superintendent of several urban school districts, is leading SFUSD in building an accountability system that includes a comprehensive assessment of programs to measure student learning, a technology infrastructure to support data collection and analysis, strategies for recognizing success and solving problems, and a training plan to show administrators and teachers how to use data to guide their planning, instruction, and organizational plans.

SFUSD is currently engaged in an ambitious, comprehensive and district-wide school reform effort, as described in a new strategic plan document entitled Beyond the Talk: Taking Action to Educate Every Child Now. Recent work represents the beginning of a multi-year effort to create systems focused on three primary goals: access and equity, achievement, and accountability.

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, our areas of focus include:

- Ensuring Access and Equity – We are implementing a rigorous core curriculum in all schools and all grades for all students. That means that every student, no matter which school he or she attends, can count on learning content that meets not only California standards but national and international standards.
- Building Strong Foundations in Reading and Writing – We want every one of our students to become curious, engaged readers who love language and explore the world through words. Therefore, we are training all of our pre-Kindergarten and early elementary teachers in a “balanced literacy” approach to instruction so that by 3<sup>rd</sup> grade all students will be reading at grade level and will be strong readers and writers in formats from multimedia to printed text.
- Graduating Students College- and Career-Ready – By strengthening and aligning high school course offerings and graduation requirements with college entrance requirements, we are ensuring that every student has the academic preparation to enroll in a California state college or university. To prepare students for careers, we offer more than 30 career preparation academies and pathways in our high schools.
- Providing Ongoing Assessment for Student Learning – Our teachers now have access to common performance assessments to better understand how students are learning on a regular basis throughout the year; they can use the results to tailor their instruction to better meet each student's needs.
- Expanding Opportunities and Support – we want every school, no matter where it is located, to be excellent. Fifteen schools that need the most intensive support have been designated as the “Superintendent's Zone” and will receive additional assistance, including teacher mentors and skilled data analysts who can help teachers pinpoint where their students need more help.
- Partnering for Success – Our children rely on thousands of talented and caring adults to make our schools work. We are fortunate in San Francisco to have a great network of resources, including the city government, businesses, not-for-profits, universities, parents, and community volunteers.

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 continued unpredictability of financial resources and the State-wide economic trends that will continue to affect the District's financial condition over the next several years.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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### FINANCIAL HIGHLIGHTS

#### 2010 RESULTS OF OPERATION

##### Unrestricted General Fund Results of Operations

During fiscal year 2009-2010, the District's Unrestricted General Fund ending balance decreased from a balance of \$38,976,354 to \$38,786,697, a (\$0.2 million) decrease or (0.5%).

The Unrestricted General Fund ongoing revenue sources increased by \$12.1 million and the amount the Unrestricted General Fund was required to contribute to other funds' operations, primarily special education, transportation, child development, and food services, increased by \$2.7 million.

The decline in revenues from the Revenue Limit (\$31.3 million) or (11%) and increased contributions required for other funds' operations were offset by \$23.3 million received from the City Rainy Day fund, and the addition of flexibility from the Tier 3 Resources which previously were Restricted Programs.

If SFUSD had not received City Rainy Day Funding and the addition of flexibility of Tier 3 Programs, the District would have been under the state required reserve by \$14.6 million.

##### General Fund Ending Balance and Reserves

The District's combined General Fund ending balance at June 30, 2010 (restricted plus unrestricted) is \$76,803,061. The District's restricted program fund balances, which total \$38,016,364, will largely be used for instructional activities, but their use is restricted for specific program activities and cannot be counted as available, i.e., unrestricted reserves. In addition, the District has available general reserve designated and unreserved fund balances of \$35,490,846.

It must be noted that 2009-2010 saw a major reduction in Revenue Limit in the amount of (\$31.3 million) or (11%). This was offset by a \$23.3 million Rainy Day Fund contribution, the flexibility of previous restricted resources to be utilized for the Unrestricted General Fund, and \$24.5 million in ARRA Federal funding credited to revenue in 2008-2009 and expensed in 2009-2010.

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**

	<b>2009</b>	<b>2010</b>	<b>Variance</b>
Revenue limit sources	\$ 275,449,247	\$ 244,153,822	\$ (31,295,425)
Federal sources	66,087,352	48,898,064	(17,189,288)
Other state sources	128,743,255	129,568,886	825,631
Other local sources	114,220,413	124,149,619	9,929,206
Transfers in / Other sources	1,000,000	-	(1,000,000)
	<u>\$ 585,500,267</u>	<u>\$ 546,770,391</u>	<u>\$ (38,729,876)</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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Table 2

	<u>2009</u>	<u>2010</u>	<u>Variance</u>
Instruction	\$ 246,668,302	\$ 265,898,720	\$ (19,230,418)
Instruction related activities	116,204,523	118,224,362	(2,019,839)
Pupil Services	42,923,884	41,162,969	1,760,915
General administration	27,221,491	27,188,283	33,208
Plant services	50,996,236	50,897,295	98,941
Facility acquisition and construction	3,412,949	3,055,376	357,573
Ancilliary services	3,419,895	3,113,282	306,613
Enterprise	-	3,718	(3,718)
Other (outgo)	46,109,674	42,453,139	3,656,535
Debt service	3,775,993	2,329,470	1,446,523
Transfers out	9,351,669	13,493,580	(4,141,911)
	<u>\$ 550,084,616</u>	<u>\$ 567,820,194</u>	<u>\$ (17,735,578)</u>

General Fund Expenditures increased \$17.7 million or 3.2% over fiscal year 2009. This increase was primarily due to a salary increases for certificated and classified employees' significant portions of which were funded by a voter-approved parcel tax passed in June 2008 and; higher benefit costs especially in the area of health insurance for both our current employees and retirees.

### Budgeting

The 2010-2011 Budget was developed reflecting the ongoing review and reductions, where appropriate, of the central office budget and the weighted student formula for school sites. This budget reflects the District's goal to emphasize the achievement of all students. Throughout the budget development process, the District staff is encouraged to work with the SFUSD community to develop sound decisions that support the needs of students.

The District held budget hearings and adopted the 2009-2010 budget in accordance with provisions of the California Education Code. The SFUSD adopted budget is developed based on the latest information that we have from the Governor's May revision which is typically released months before the final state budget is passed. Changes and updates are made to the budget as needed during the year.

Only grants that the District is certain of receiving are included in the adopted budget. Additional programs are budgeted as grant awards are received. Grants are budgeted to be fully expended. Carryover funds are budgeted per instructions from program managers.

Program needs change during the year. As a result, budget transfers and revisions are ongoing throughout the fiscal year. We have included the Budgetary Comparison schedule on page 56 providing the adopted and final budgets compared with actual revenues and expenditures.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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### 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 Assets 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 assets* and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net assets 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, 2010

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### 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 (like repaying its long-term debt) or to show that it is properly using certain revenues (like 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 assets. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Assets

The District's Entity-wide net assets at June 30, 2010 totaled \$535.6 million. Of this amount, \$480.8 million is the net investment in fixed assets; \$102.4 million is restricted for various purposes, leaving an unrestricted net deficit of \$47.6 million. There was no significant change in unrestricted deficit from last year. See Note 10 to the financial statements for a reconciliation of this deficit balance with the fund balance shown in the General Fund.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the close of the year ended June 30, 2010, the District's fixed assets totaled \$1.2 billion. Accumulated depreciation was \$230.8 million at year end. Depreciation expense for the year totaled \$29.8 million. Net book value (the amount of total assets after applying depreciation) increased by \$114.2 million to \$922.9 million.

The District excludes from its fixed 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 fixed 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's long-term debt obligations had a beginning balance of \$603.7 million. Additions were \$248.9 million and deletions were \$64.0 million. At June 30, 2010, the ending balance was \$788.6 million. The majority of the District's long-term debt is comprised of \$673.2 million of general obligation bonds, \$69.6 million of postemployment benefits, \$11.2 million of Certificates of Participation and \$20.7 million of capital leases. The annual debt service requirement on these later two obligations approximates \$3.6 million and is funded from the District's General Fund. General Obligation Bonds are funded by a separate property tax override and do not require the use of District resources.

Other significant general long term obligations consist of the revenue limit deficit loan (on which \$5.5 million is outstanding as of June 30, 2010). Repayments will extend over a ten-year window, commencing in fiscal year 2005-06 and concluding in fiscal year 2014-15 by offsetting to the District's second principal apportionment revenue limit annually. See Note 9 to the accompanying financial statements for a complete summary of long-term liabilities.

### 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 2009-10 and currently projects that it will reach or exceed its minimum reserve in both FY 2010-11 and FY 2011-12

In addition to the Revenue Limit income source, the District also received approximately \$302.6 million of other program funding from the 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 2008-2009. These resources will assist in recruiting and retaining effective teachers, increasing accountability, and improving the District's technology infrastructure.

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2010**

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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 to be received for 2010-11 is \$6.1 million.

As it relates to future State Budgets, the District cannot predict what actions will be taken in the future by the State Legislature and Governor to address the State's current or future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues, increased expenses or deferred revenues for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State budgets include decreases in the District's revenues or increases in required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs and/or services, or spend down its reserves to ensure a balanced budget.

California's Legislative leadership and the Governor face another set of difficult budgetary dilemmas for both the current Fiscal Year 2010-2011 and beyond. The resulting decisions could include mid-year cuts to both, education and non-proposition 98 programs, as well as, increases in state taxes or fees. The District's staff will continue to carefully monitor the results of legislative actions to assist in producing a balanced budget and responsible financial plans.

The District's Superintendent and senior staff members will continue to work very closely with the Board of Education to identify necessary expenditures reductions or additional revenues. The District is totally committed to take whatever measures necessary to maintain a strong 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, (415) 241-6542.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,822,050
Investments	481,055,476
Receivables	83,827,761
Prepaid expenses	2,701,908
Deferred charges	4,174,279
Stores inventories	631,976
Capital assets, net of accumulated depreciation	922,856,286
<b>Total assets</b>	<b>1,498,069,736</b>
<b>Liabilities</b>	
Overdrafts	16,330,190
Accounts payable	112,220,321
Interest payable	2,409,495
Deferred revenue	15,482,895
Claim liabilities	27,471,841
Current portion of long-term obligations	30,341,535
Noncurrent portion of long-term obligations	758,233,791
<b>Total liabilities</b>	<b>962,490,068</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	480,791,835
Restricted for:	
Legally restricted	47,191,583
Debt service	17,341,587
Capital projects	26,080,872
Special revenues	7,584,868
Self insurance	4,232,649
Unrestricted	(47,643,726)
<b>Total net assets</b>	<b>\$ 535,579,668</b>

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, 2010**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities
<b>Governmental activities:</b>					
Instruction	\$ 408,612,012	\$ 523,324	\$ 94,783,760	\$ 7,425,438	\$ (305,879,490)
Instruction related activities:					
Supervision of instruction	91,656,074	295,738	53,135,389	-	(38,224,947)
Instructional library and technology	8,163,400	80,588	1,114,353	-	(6,968,459)
School site administration	41,509,547	11,903	3,711,125	-	(37,786,519)
Pupil services:					
Home-to-school transportation	22,437,100	4,455	6,805,059	-	(15,627,586)
Food services	24,630,763	2,523,187	16,361,905	-	(5,745,671)
All other pupil services	48,694,351	145,166	16,272,646	-	(32,276,539)
General administration:					
Data processing	8,130,934	6,416	144,480	-	(7,980,038)
All other general administration	19,144,449	118,239	4,650,554	-	(14,375,656)
Plant services	69,332,282	70,028	1,174,648	-	(68,087,606)
Anciliary services	3,329,797	43,608	469,418	-	(2,816,771)
Enterprise services	3,976	-	-	-	(3,976)
Interest on long-term obligations	21,522,400	66	711	-	(21,521,623)
Other outgo	43,992,499	40,838	2,051,478	-	(41,900,183)
<b>Total school district</b>	<b>\$ 811,159,584</b>	<b>\$ 3,863,556</b>	<b>\$ 200,675,526</b>	<b>\$ 7,425,438</b>	<b>(599,195,064)</b>
General revenues and subventions:					
					282,989,674
					38,966,804
					59,019,157
					62,395,346
					1,976,117
					36,552,292
					103,428,733
					<b>585,328,123</b>
					(13,866,941)
					549,446,609
					<b>\$ 535,579,668</b>

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010**

	<u>General Fund</u>	<u>County School Service Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 1,417,627	\$ -	\$ -	\$ 8,169	\$ 1,425,796
Investments	115,162,881	-	285,398,720	49,602,044	450,163,645
Receivables	42,185,899	26,251,968	156,440	14,898,625	83,492,932
Prepaid expenditures	2,701,908	-	-	-	2,701,908
Stores inventories	606,443	-	-	25,533	631,976
<b>Total assets</b>	<u>\$ 162,074,758</u>	<u>\$ 26,251,968</u>	<u>\$ 285,555,160</u>	<u>\$ 64,534,371</u>	<u>\$ 538,416,257</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Overdrafts	\$ -	\$ 10,218,228	\$ -	\$ 6,111,962	\$ 16,330,190
Accounts payable	76,446,571	10,715,157	22,434,488	2,214,618	111,810,834
Deferred revenue	8,825,126	1,121,399	-	5,536,370	15,482,895
<b>Total liabilities</b>	<u>85,271,697</u>	<u>22,054,784</u>	<u>22,434,488</u>	<u>13,862,950</u>	<u>143,623,919</u>
<b>Fund Balances:</b>					
Reserved for:					
Restricted programs	38,003,364	1,678,961	-	-	39,682,325
Other reservations	3,308,851	-	-	26,128	3,334,979
Unreserved:					
Designated	33,136,372	2,429,439	150,000	-	35,715,811
Undesignated, reported in:					
General fund	2,354,474	-	-	-	2,354,474
Special revenue funds	-	88,784	-	5,066,645	5,155,429
Debt service funds	-	-	-	19,497,776	19,497,776
Capital projects funds	-	-	262,970,672	26,080,872	289,051,544
<b>Total fund balance<sup>1</sup></b>	<u>76,803,061</u>	<u>4,197,184</u>	<u>263,120,672</u>	<u>50,671,421</u>	<u>394,792,338</u>
<b>Total liabilities and fund balances</b>	<u>\$ 162,074,758</u>	<u>\$ 26,251,968</u>	<u>\$ 285,555,160</u>	<u>\$ 64,534,371</u>	<u>\$ 538,416,257</u>

<sup>1</sup> Refer to Reconciliation of Annual Financial and Budget Report with Audited Financial Statements on page 66 and Note 10 for additional information.

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 ASSETS  
JUNE 30, 2010**

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**Amounts reported for governmental activities in the statement of net assets are different because:**

<b>Total fund balance - governmental funds</b>		\$ 394,792,338
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	\$ 1,153,689,794	
Accumulated depreciation is	<u>(230,833,508)</u>	
Net Capital Assets		922,856,286
In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as receivable and payment received in the current year reduces the receivable amount.		255,631
Debt issuance costs are expensed in governmental funds. In the governmental-wide statements, they are capitalized and amortized to operations over the life of the related debt		4,174,279
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.		(2,156,189)
An internal service fund is used by the District's management to charge the costs of the worker's compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		4,232,649
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:		
General obligation bonds and premium	673,239,215	
Certificates of participation	11,210,000	
Capital leases payable	20,735,908	
Compensated absences (vacations)	6,002,541	
Arbitrage liability	1,887,151	
Excess revenue limit transfers	5,500,896	
CalSTRS liability	410,040	
Post-employment benefit liability	<u>69,589,575</u>	
		<u>(788,575,326)</u>
<b>Total net assets-governmental activities</b>		<u><u>\$ 535,579,668</u></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 BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>General Fund</b>	<b>County School Service Fund</b>	<b>Building Fund</b>	<b>Nonmajor Government Funds</b>	<b>Total Government Funds</b>
<b>REVENUES</b>					
Revenue limit sources	\$ 244,153,822	\$ 13,596,242	\$ -	\$ -	\$ 257,750,064
Federal sources	48,898,064	24,490,290	-	35,561,525	108,949,879
Other state sources	129,568,886	62,695,731	-	18,295,072	210,559,689
Other local sources	124,149,619	36,750,517	9,240,883	49,790,799	219,931,818
<b>Total Revenues</b>	<b>546,770,391</b>	<b>137,532,780</b>	<b>9,240,883</b>	<b>103,647,396</b>	<b>797,191,450</b>
<b>EXPENDITURES</b>					
Current					
Instruction	265,898,720	88,335,040	-	28,624,052	382,857,812
Instruction related activities:					
Supervision of instruction	77,055,525	5,007,140	-	3,617,526	85,680,191
Instructional library and technology	7,569,000	63,587	-	-	7,632,587
School site administration	33,599,837	1,070,634	-	4,139,980	38,810,451
Pupil Services:					
Home-to school transportation	9,253,658	11,724,503	-	-	20,978,161
Food services	6,538	-	-	23,022,646	23,029,184
All other pupil services	31,902,773	13,339,545	-	285,755	45,528,073
General administration:					
Data processing	7,247,293	348,157	-	-	7,595,450
All other general administration	19,940,990	1,696,976	-	2,191,629	23,829,595
Plant services	50,897,295	126,631	-	632,443	51,656,369
Facility acquisition and construction	3,055,376	-	149,925,287	5,105,058	158,085,721
Ancillary services	3,113,282	-	-	-	3,113,282
Other outgo	42,453,139	1,539,360	-	-	43,992,499
Enterprise services	3,718	-	-	-	3,718
Debt service					
Principal	1,204,163	-	-	24,655,887	25,860,050
Interest and other	1,125,307	-	-	24,279,889	25,405,196
<b>Total Expenditures</b>	<b>554,326,614</b>	<b>123,251,573</b>	<b>149,925,287</b>	<b>116,554,865</b>	<b>944,058,339</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(7,556,223)</b>	<b>14,281,207</b>	<b>(140,684,404)</b>	<b>(12,907,469)</b>	<b>(146,866,889)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	6,672,759	13,493,580	20,166,339
Other sources	-	-	185,000,000	11,887,238	196,887,238
Transfers out	(13,493,580)	-	-	(6,685,662)	(20,179,242)
<b>Net Financing Sources (Uses)</b>	<b>(13,493,580)</b>	<b>-</b>	<b>191,672,759</b>	<b>18,695,156</b>	<b>196,874,335</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(21,049,803)</b>	<b>14,281,207</b>	<b>50,988,355</b>	<b>5,787,687</b>	<b>50,007,446</b>
<b>Fund Balance - Beginning</b>	<b>97,852,864</b>	<b>(10,084,023)</b>	<b>211,982,317</b>	<b>44,883,734</b>	<b>344,634,892</b>
<b>Fund Balance - Ending<sup>1</sup></b>	<b>\$ 76,803,061</b>	<b>\$ 4,197,184</b>	<b>\$ 262,970,672</b>	<b>\$ 50,671,421</b>	<b>\$ 394,642,338</b>

<sup>1</sup> Refer to Reconciliation of Annual Financial and Budget Report with Audited Financial Statements on page 66 and Note 10 for additional information.

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, 2010**

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

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 50,007,446</b>
<p>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 assets as property and equipment and this cost is allocated over the estimated useful life of the asset as depreciation expense in the statement of activities.</p> <p>This is the amount by which capitalized capital outlays exceed depreciation in the</p>	
Capitalized capital outlays	\$ 144,002,282
Depreciation expense	<u>(29,815,314)</u>
	114,186,968
<p>Repayment of capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>	
	924,871
<p>Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>	
	21,175,000
<p>In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>	
	256,249
<p>Repayment of Certificates of Participation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>	
	2,660,000
<p>In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as receivable and payment received in the current year reduces the receivable amount.</p>	
	(250,125)
<p>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 assets and does not affect the statement of activities.</p>	
	(185,000,000)
<p>Premium received from the sale of bonds is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>	
	(11,887,238)

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, 2010**

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Payment of costs of issuance on new bonds is an expenditure in the governmental funds, but it is recorded as a prepaid expense and amortized over the life of the bond in the statement of activities.	1,258,515
Amortization of bond premium is a revenue source in the statement of activities, but is not recognized in the governmental funds.	1,843,123
Amortization of issuance costs is an expense in the statement of activities, but is not recognized in the governmental funds.	(275,698)
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.	(343,497)
In the statement of activities, the arbitrage liability on interest earned for the tax exempt general obligation bonds is recognized as an expense, but is not recognized in the governmental funds until it is paid.	800,353
Repayment of CalSTRS liability is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	600,000
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.	(17,373,449)
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 assets. The negotiated installment payments to repay the State is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does 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 assets of the internal service fund is not reported in the governmental funds, but is reported in the statement of activities.	<u>6,450,362</u>
<b>Decrease in net assets of governmental activities</b>	<u><u>\$ (13,866,941)</u></u>

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

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	<b>Governmental Activities: Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 32,288,085
Receivables	79,198
<b>Total current assets</b>	<u>32,367,283</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	662,793
Claim liability - workers' compensation	26,824,000
Claim liability - dental	647,841
<b>Total current liabilities</b>	<u>28,134,634</u>
<b>NET ASSETS</b>	<u>\$ 4,232,649</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, 2010**

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	<b>Governmental Activities: Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 24,569,968
Cash payments for insurance claims	(16,694,413)
Cash payments to suppliers for goods and services	(1,984,343)
Cash payments for excess insurance premium	(207,361)
Net cash provided by operating activities	<u>5,683,851</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>416,256</u>
Net increase in cash and cash equivalents	6,100,107
Cash and cash equivalents - Beginning of year	26,187,978
Cash and cash equivalents - End of year	<u>\$ 32,288,085</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>	
<b>CASH USED BY OPERATING ACTIVITIES:</b>	
Operating profit	\$ 6,086,141
Increase in receivables	727,807
Increase in accrued liabilities	(1,130,097)
Net cash provided by operating activities	<u>\$ 5,683,851</u>

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



# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### 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) operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and Federal agencies. The District and COE provide child care and elementary and secondary education in the City and County of San Francisco (County), State of California (State). 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 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 72 elementary schools, 13 middle schools, 19 high schools, including two continuation schools, and one independent study alternative school. The District sponsors eleven Charter Schools. The District also maintains 36 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. For San Francisco Unified School District, this includes general operations, food service and student related activities of the District and the County Office of Education.

#### 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 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. Individually-prepared financial statements are not prepared for the San Francisco Unified School District Financing Corporation.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### Other Related Entities

**Charter Schools** The District has approved Charters for Creative Arts Charter School, Gateway High School, Leadership High School, Life Learning Academy, KIPP Bayview Academy, City Arts and Technology High School, Metropolitan Arts and Technology High School, KIPP San Francisco Bay Academy, Five Keys Charter School, Five Keys Adult School, and Five Keys Independence High School, 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 a district. All transactions except those required or permitted by law to be 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 established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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**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).

**Deferred Maintenance** 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, except for State apportionments which, as a result in Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

**Special Reserve Fund for Postemployment Benefits** The Special Reserve Fund for Postemployment Benefits may be used pursuant to *Education Code* Section 42840 to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

**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.

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation/Special Tax Bonds.

**Capital Projects Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (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), or the 2004 State School Facilities Fund (Proposition 55) 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.).

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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**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 fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has no enterprise funds.

**Internal Service Fund** Internal service funds may be used to account for any activity for which services are 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 fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into three classifications: pension trust funds, investment trust funds and agency funds.

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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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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 assets should be reported as restricted when constraints placed on net asset use 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.

**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 balance 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 assets. The statement of revenues, expenses and changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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**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 90 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.

**Deferred Revenue** Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred 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 90 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, 2010 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### 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.

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 the net assets. 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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**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, COP's and capital leases are recognized as expenditures in governmental funds when paid.

### **Deferred Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 \$535,579,668 in net assets as of June 30, 2010. Of that amount, \$480,791,835 represents the District's net fixed assets, net of related outstanding debt. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### 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 March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 451,589,441	
Less: deficit cash (overdraft)	<u>(16,330,190)</u>	
Total Governmental funds		\$ 435,259,251
Self insurance fund		32,288,085
Fiduciary funds		<u>12,532,836</u>
Total Deposits and Investments		<u>\$ 480,080,172</u>

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks		\$ 5,148,429
Deposits with county treasurer	491,261,933	
Less: deficit cash (overdraft)	<u>(16,330,190)</u>	
Total Deposits with county treasurer		<u>474,931,743</u>
Total Deposits and Investments		<u>\$ 480,080,172</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### 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.

### General Authorizations

Limitations as they relate to interest rate risk, credit 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

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### 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.

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:

Investment Type	Amortized Cost	Fair Value	Weighted Average Maturity in Years
County Investment Pool	\$ 474,931,743	\$ 477,050,414	1.88

### 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, 2010.

### 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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2010, District bank balances of \$4,303,177 were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2010, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	County School Service	Building	Nonmajor Funds	Total Governmental	Total Proprietary
Federal Government						
Categorical aid	\$ 13,998,077	\$ 10,313,025	\$ -	\$ 2,710,287	\$ 27,021,389	\$ -
State Government						
Apportionment	8,162,755	15,672,529	-	-	23,835,284	-
Categorical aid	10,099,973	80,421	-	7,562,696	17,743,090	-
Lottery	2,427,565	177,446	-	-	2,605,011	-
Local Government						
Interest	81,531	-	126,871	3,027,328	3,235,730	21,178
Other Local Sources	7,415,998	8,547	29,569	1,598,314	9,052,428	58,020
Total	<u>\$ 42,185,899</u>	<u>\$ 26,251,968</u>	<u>\$ 156,440</u>	<u>\$ 14,898,625</u>	<u>\$ 83,492,932</u>	<u>\$ 79,198</u>

Additional receivables in the Statement of Net Assets include \$255,631 for a special education settlement, expected to be received next fiscal year.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Balance June 30, 2010</u>
<b>Governmental Activities *</b>			
Capital Assets being depreciated:			
Buildings and improvements	\$ 960,198,025	\$ 143,908,684	\$ 1,104,106,709
Furniture and equipment	<u>49,489,487</u>	<u>93,598</u>	<u>49,583,085</u>
Total Capital Assets being depreciated	<u>1,009,687,512</u>	<u>144,002,282</u>	<u>1,153,689,794</u>
Less Accumulated Depreciation:			
Buildings and improvements	175,264,911	27,970,985	203,235,896
Furniture and equipment	<u>25,753,283</u>	<u>1,844,329</u>	<u>27,597,612</u>
Total Accumulated Depreciation	<u>201,018,194</u>	<u>29,815,314</u>	<u>230,833,508</u>
Governmental Activities Capital Assets, Net	<u>\$ 808,669,318</u>	<u>\$ 114,186,968</u>	<u>\$ 922,856,286</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:

<b>Governmental Activities</b>	
Instruction	\$ 16,272,296
Supervision of Instruction	3,775,747
Instructional Library & Media	335,384
School Site Administration	1,705,372
Home to School Transportation	921,803
Food Services	1,011,927
All Other Pupil Services	2,000,552
Anciliary Services	136,801
Enterprise Activities	163
All General Administration	1,047,098
Data Processing Services	338,335
Plant Services	<u>2,269,836</u>
Total Depreciation Expenses, Governmental Activities	<u>\$ 29,815,314</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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, 2010, consisted of the following:

		Transfer In			
		Building Fund	Non-major Governmental	Proprietary Fund	Total
Transfer Out	General	\$ -	\$ 13,493,580	\$ -	\$ 13,493,580
	Nonmajor governmental	6,672,759	-	12,903	6,672,759
	Total	<u>\$ 6,672,759</u>	<u>\$ 13,493,580</u>	<u>\$ 12,903</u>	<u>\$ 20,179,242</u>

The General fund transferred to the Child Development fund to cover the operating deficit.	\$ 3,692,717
The General fund transferred to the Cafeteria fund to cover the operating deficit.	3,427,739
The General fund transferred to the Special Reserve fund - Capital for lease payments.	2,150,482
The General fund transferred to the Debt Service fund for COP principal and interest payments.	3,222,642
The General fund transferred to the Deferred Maintenance fund for maintenance projects.	1,000,000
The Deferred Maintenance fund transferred to Building fund for prior year expenditures reclassified.	27,930
The Special Reserves-Postemployment Benefit fund transferred to the Self Insurance fund to close the special reserve fund.	12,903
The County School Facility fund transferred to the Building fund for expenditure reimbursement.	6,644,829
Total	<u>\$ 20,179,242</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2010, consisted of the following:

	General Fund	County School Service	Building	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 21,381,431	\$ 3,616,591	\$22,434,488	\$ 2,214,618	\$ 49,647,128	\$ 662,793
State apportionment	50,948,005	7,098,566	-	-	58,046,571	-
Federal categorical payables	3,863,829	-	-	-	3,863,829	-
Interest payable	253,306	-	-	-	253,306	-
Total	<u>\$ 76,446,571</u>	<u>\$10,715,157</u>	<u>\$22,434,488</u>	<u>\$ 2,214,618</u>	<u>\$ 111,810,834</u>	<u>\$ 662,793</u>

Additional interest payable in the Statement of Net Assets includes \$2,156,189 for accrued interest on long term obligations.

**NOTE 7 – DEFERRED REVENUE**

Deferred revenue at June 30, 2010, consists of the following:

	General	County School Service	Nonmajor Funds	Total
Federal financial assistance	\$ 8,468,484	\$ 923,161	\$ -	\$ 9,391,645
State categorical aid	356,642	198,238	807,173	1,362,053
Other local	-	-	4,729,197	4,729,197
Total	<u>\$ 8,825,126</u>	<u>\$ 1,121,399</u>	<u>\$ 5,536,370</u>	<u>\$ 15,482,895</u>

**NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

At July 1, 2009, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$43,000,000, which matured on November 25, 2009.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2009	Additions	Payments	Outstanding June 30, 2010
11/20/2008	3.00%	11/25/2009	<u>\$ 43,000,000</u>	<u>\$ -</u>	<u>\$ 43,000,000</u>	<u>\$ -</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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, 2009	Additions	Deductions	Balance June 30, 2010	Due in one year
General obligation bonds	\$ 479,665,000	\$ 185,000,000	\$ 21,175,000	\$ 643,490,000	\$ 25,700,000
Bond premium	19,705,100	11,887,238	1,843,123	29,749,215	1,843,123
Certificates of participation	13,870,000	-	2,660,000	11,210,000	350,000
Accumulated vacation - net	6,258,790	-	256,249	6,002,541	-
Capital leases	21,660,779	-	924,871	20,735,908	938,193
Revenue limit deficit	6,601,075	-	1,100,179	5,500,896	1,100,179
Arbitrage liability	2,687,504	-	800,353	1,887,151	-
Post employment liability	52,216,126	52,040,892	34,667,443	69,589,575	-
CalSTRS liability	1,010,040	-	600,000	410,040	410,040
	<u>\$ 603,674,414</u>	<u>\$ 248,928,130</u>	<u>\$ 64,027,218</u>	<u>\$ 788,575,326</u>	<u>\$ 30,341,535</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. Payments on certificates of participation are paid by the Debt Service Fund. The Debt Service Fund receives contributions from the General Fund when payment is due. 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 District's General Fund annual apportionment. The Arbitrage liability will be paid by the Building Fund. Payments on CalSTRS obligation will be made by the General Fund.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2010</u>
11/20/03	6/15/24	3.90%	\$ 58,000,000	\$ 47,300,000	\$ -	\$ 2,360,000	\$ 44,940,000
10/12/05	6/10/25	3.00-5.00%	130,000,000	112,765,000	-	4,885,000	107,880,000
10/12/06	6/15/26	4.00-5.00%	92,000,000	83,155,000	-	3,410,000	79,745,000
2/28/07	6/15/27	3.00-5.00%	100,000,000	94,445,000	-	3,520,000	90,925,000
1/22/09	6/15/27	1.50% -5.25%	150,000,000	142,000,000	-	7,000,000	135,000,000
5/19/10	5/15/27	5.74%	12,955,000	-	12,955,000	-	12,955,000
5/19/10	6/15/30	5.74%	72,370,000	-	72,370,000	-	72,370,000
5/19/10	6/15/23	0.50%-5.00%	99,675,000	-	99,675,000	-	99,675,000
			<u>\$ 715,000,000</u>	<u>\$479,665,000</u>	<u>\$185,000,000</u>	<u>\$ 21,175,000</u>	<u>643,490,000</u>
					Unamortized bond premium		29,749,215
						Total	<u>\$ 673,239,215</u>

**Debt Service Requirement to Maturity**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 25,700,000	\$ 30,685,267	\$ 56,385,267
2012	29,365,000	29,170,461	58,535,461
2013	30,305,000	28,244,801	58,549,801
2014	31,640,000	26,963,201	58,603,201
2015	33,070,000	25,573,901	58,643,901
2016-2020	189,515,000	103,158,684	292,673,684
2021-2025	219,440,000	53,144,165	272,584,165
2026-2027	84,455,000	11,934,620	96,389,620
Total	<u>\$ 643,490,000</u>	<u>\$ 308,875,100</u>	<u>\$ 952,365,100</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### Certificates of Participation

In May 1996, the District issued \$5,750,000 in Refunding Certificates of Participation with interest rates ranging from 4 to 5.5 percent to advance refund \$4,480,000 of outstanding 1989 Lease Revenue Bonds with an average interest rate of 6.5 percent. As a result, the 1989 bonds are considered to be defeased and the liability has been removed from the long-term obligations. The certificates matured in the current fiscal year and had no balance outstanding as of June 30, 2010.

In August 1998, the District issued \$4,435,000 in Certificates of Participation for Capital Improvement Financing Projects. The debt represents a portion of a pooling arrangement, in which the total debt is \$40,590,000. The interest rate is adjustable, with a maximum of 12 percent. The certificates were paid off in the current fiscal year and had no balance outstanding as of June 30, 2010.

In January 1999, the District issued \$14,045,000 in Certificates of Participation to finance the District's acquisition and improvement of a new administrative building. Interest rates range from 3.4 to 4.15 percent. At June 30, 2010, the principal balance outstanding was \$11,210,000.

The Certificates of Participation mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 350,000	\$ 524,162	\$ 874,162
2012	365,000	507,181	872,181
2013	380,000	489,488	869,488
2014	400,000	470,963	870,963
2015	420,000	451,488	871,488
2016-2020	2,415,000	1,931,471	4,346,471
2021-2025	3,045,000	1,135,468	4,180,468
2026-2030	3,835,000	472,031	4,307,031
Total	<u>\$ 11,210,000</u>	<u>\$ 5,982,252</u>	<u>\$ 17,192,252</u>

### Accumulated Unpaid Employee Vacation and Vested Sick Leave

Full-time District employees are entitled to 10-25 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.

Reductions to vested compensated absences reflect net changes during the year ended June 30, 2010. Also, the City and County of San Francisco Charter provisions allow classified employees to accumulate up to 130 working days of sick leave. Certified 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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**Capital Leases**

The District has recorded capital assets in the amount of \$33,771,652 and corresponding accumulated depreciation of \$15,007,025 at June 30, 2010. The District's liabilities on lease agreements with options to purchase are summarized below:

	Energy Retrofit	Information Technology	Computers	Total
Balance, Beginning of Year	\$ 32,103,082	\$ 104,304	\$ 4,779	\$ 32,212,165
Payments	(2,150,482)	(104,304)	(4,779)	(2,259,565)
Balance, End of Year	<u>\$ 29,952,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,952,600</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2011	\$ 2,214,996
2012	2,281,446
2013	2,349,890
2014	2,420,386
2015	2,492,998
2016-2020	13,632,734
2021-2022	4,560,150
Total	<u>29,952,600</u>
Less: Amount Representing Interest	<u>9,216,692</u>
Present Value of Minimum Lease Payments	<u>\$ 20,735,908</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### 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 does owe the money back to the State. In view of their current financial condition, 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, 2010, the principal balance outstanding for the District was \$5,500,896. 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, as follows:

Year Ending June 30,	Payment
2011	\$ 1,100,179
2012	1,100,179
2013	1,100,179
2014	1,100,179
2015	1,100,180
Total	<u>\$ 5,500,896</u>

Because the amount in question has been set up as a component of long-term obligations, under the modified accrual basis of accounting with the exception of the amount due in 2010, the deficit State aid liability is not considered a current liability; therefore it has no current year impact on the District's ending fund balance. The full amount of the liability is recorded in the Government-wide Statement of Net Assets.

### Arbitrage Rebate Liability

This liability represents the excess interest income earned by the District from the proceeds of its general obligation bond issues over those currently allowed by IRS regulations. The short-term excess interest earned must be paid back to the government within one year. The long-term excess interest earned will be paid back to the government no later than 3 years. Additional calculations will be required in subsequent years to update the actual amount of the liability due. As of June 30, 2010, there is no short-term liability due within one year. At June 30, 2010, the amount of long term arbitrage rebate liability was \$1,887,151.

### CalSTRS Liability

In January 2007, the District was notified that CalSTRS had closed out the District's prior year variances through fiscal year 2005-2006. It was determined that the total CalSTRS calculation contribution for the COE was \$195,443,214 and the COE had only remitted \$193,233,174, indicating under payment of \$2,210,040. CalSTRS made an agreement with the COE to repay the outstanding amount in 45 monthly installments of \$50,000 each. At June 30, 2010, the outstanding balance is \$410,040.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 10 – FUND BALANCES**

Fund balances are composed of the following elements:

	General	County School Service	Building	Nonmajor Funds	Total
Reserved					
Revolving cash	\$ 500	\$ -	\$ -	\$ 595	\$ 1,095
Stores inventory	606,443	-	-	25,533	631,976
Prepaid expenditures	2,701,908	-	-	-	2,701,908
Restricted programs	38,003,364	1,678,961	-	-	39,682,325
Total Reserved	<u>41,312,215</u>	<u>1,678,961</u>	<u>-</u>	<u>26,128</u>	<u>43,017,304</u>
Unreserved					
Designated					
Economic uncertainty	11,136,372	2,429,439	-	-	13,565,811
Other designations	22,000,000	-	150,000	-	22,150,000
Total Designated	<u>33,136,372</u>	<u>2,429,439</u>	<u>150,000</u>	<u>-</u>	<u>35,715,811</u>
Undesignated	<u>2,354,474</u>	<u>88,784</u>	<u>262,970,672</u>	<u>50,645,293</u>	<u>316,059,223</u>
Total Unreserved	<u>35,490,846</u>	<u>2,518,223</u>	<u>263,120,672</u>	<u>50,645,293</u>	<u>351,775,034</u>
Total	<u>\$ 76,803,061</u>	<u>\$ 4,197,184</u>	<u>\$ 263,120,672</u>	<u>\$ 50,671,421</u>	<u>\$ 394,792,338</u>

**Reconciliation to Statement of Net Assets.** The following is a reconciliation of the difference between the undesignated general fund noted above and the unrestricted net asset deficit as shown in the Statement of Net Assets:

Balance per above	\$ 35,490,846
Add Back:	
Special education settlement receivable	255,631
Deduct:	
Compensated absences liability	(6,002,541)
Revenue limit deficit	(5,500,896)
Arbitrage liability	(1,887,151)
CalSTRS liability	(410,040)
Other post-employment benefits liability	(69,589,575)
Balance per Statement of Net Assets	<u>\$ (47,643,726)</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### 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
2011	\$ 3,468,384
2012	3,444,384
2013	3,122,636
2014	3,121,436
2015	3,121,436
Thereafter	78,597,112
Total	<u>\$ 94,875,388</u>

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

#### Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Francisco Unified School District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 4,893 retirees and their beneficiaries currently receiving benefits and 6,881 active plan members. The Board designated amount of the Plan is presented in these financial statements as the Retiree Benefits Reserved Fund. The Unfunded portion of the annual requirement contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

#### Contribution Information

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, FEA, CSEA and the unrepresented groups. For fiscal year 2009-2010, the District contributed \$32,354,629 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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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 to the Plan:

Annual required contribution	\$ 49,430,085
Interest on net accrued OPEB obligation	2,610,806
Adjustment to annual required contribution	<u>(2,312,813)</u>
Annual OPEB cost (expense)	49,728,078
Contributions made	<u>(32,354,629)</u>
Increase in net OPEB obligation	17,373,449
Net OPEB obligation, beginning of year	<u>52,216,126</u>
Net OPEB obligation, end of year	<u><u>\$ 69,589,575</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Year Ended June 30, 2010	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008	\$ 62,986,099	46%	\$ 33,705,834
2009	\$ 48,182,731	62%	\$ 52,216,126
2010	\$ 49,728,078	65%	\$ 69,589,575

**Funded Status and Funding Progress**

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 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)
November 1, 2009	-	\$ 552,653,686	\$ 552,653,686	0.00%	\$ 418,519,358	132%

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### **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 January 14, 2010, actuarial valuation as of November 1, 2009, the entry age normal method was used. The actuarial assumptions included a 5 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 4 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 initial UAAL is amortized using a closed amortization period of 30 years. The remaining amortization period at June 30, 2010, was 27 years. The residual UAAL is amortized using an open amortization period of 30 years. This is the first year of residual UAAL amortization. The actuarial value of assets is assumed to be zero.

### **NOTE 13 - RISK MANAGEMENT**

The District's risk management activities are recorded in the General 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 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.

### **Claims 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 workers' compensation liabilities are reported at their present value using an expected future investment yield assumption of 4 percent. The amount of the liability recorded at June 30, 2010, was \$26,824,000 and \$647,841 for workers' compensation and dental claims, respectively.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### **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). Employees who are not eligible to participate under either of these two plans may participate in the Public Agency Retirement System (PARS).

#### **CalSTRS**

##### **Plan Description**

The District contributes to the California State Teachers' Retirement System (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. 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, 7919 Folsom Blvd., Sacramento, CA 95826.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and 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 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$24,243,489, \$22,714,691, and \$21,359,763, 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). SFERS is a separate department of the City and County of San Francisco, deriving its powers, functions, and responsibility from the City charter and ordinances of the Board of Supervisors of the City and County of San Francisco. Substantially all employees of the City and County are members 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### **Funding Policy**

In accordance with the City charter, District participants contribute 7.5 percent to 8.0 percent of their salaries to the SFERS. In some instances based on Union MOU's, the employer pays some or all of employees' shares. 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, 2010 was 9.49% of covered payroll.

During the year ended June 30, 2010, 2009, and 2008 the District's contribution was \$10,484,730, \$7,198,128, and \$7,483,978.

### **Funding Status and Progress**

The pension benefit obligation is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, to be payable in the future as a result of employee service to date. The measure is intended to help users assess on a going-concern basis the funding status of SFERS, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons between retirement systems and employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used. SFERS does not make separate measurements of assets and the pension benefit obligation for the District.

The pension benefit obligation of SFERS was computed as part of an actuarial valuation performed as of July 1, 2009. The significant actuarial assumptions used in the 2009 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 7.75 percent and annual future wage inflation of 4.5 percent.

Information regarding the pension benefit obligation of SFERS for the year ended June 30, 2009 is based on the 2009 actuarial valuation (latest information available). Such valuation included plan assets at fair value and the pension benefit obligation computed as an actuarial accrued liability. The actuarial accrued liability and actuarial value of assets at June 30, 2009 (in millions) were \$16,499 and \$16,005, respectively. The underfunded liability (in millions) and funded ratio were \$ 494 and 97.0 percent, respectively. The underfunded amount represented 19.4 percent of the total covered payroll (in millions) of \$2,545 for the 2009 valuation year.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### Historical Trend Information

Ten year trend information for the years ended June 30, 2000 through 2009 is as follows (Dollars in millions):

	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Actuarial value of assets available for benefit payments	\$ 16,005	\$ 15,941	\$ 14,929	\$ 13,598	\$ 12,660	\$ 11,300	\$ 11,174	\$ 11,102	\$ 10,797	\$ 10,076
Actuarial accrued liability - entry age	16,499	15,359	13,541	12,515	11,766	10,885	10,250	9,416	8,372	7,238
Underfunded (overfunded) actuarial accrued liability	494	(582)	(1,388)	(1,083)	(894)	(415)	(924)	(1,686)	(2,425)	(2,838)
Funded ratio (actuarial value of assets as a percentage of actuarial accrued liability)	97.0%	103.8%	110.3%	108.7%	107.6%	103.8%	109.0%	117.9%	129.0%	139.2%
Covered payroll	\$ 2,545	\$ 2,457	\$ 2,376	\$ 2,177	\$ 2,053	\$ 2,155	\$ 2,130	\$ 2,019	\$ 1,858	\$ 1,727
Underfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	19.4%	-23.7%	-58.4%	-49.7%	-43.5%	-19.3%	-43.4%	-83.5%	-130.5%	-164.3%
Annual required employer contribution made in accordance with actuarially determined requirements	\$ 241	\$ 123	\$ 140	\$ 136	\$ 135	\$ 97	\$ -	\$ -	\$ -	\$ -

\* Most recent information available.

### **Plan Description and Funding Policy**

#### **PARS**

The District participates in three retirement plans administered by the Public Agency Retirement System (PARS) Trust: the Alternative Retirement System (ARS), the Target Benefit Plan (TBP), and the Supplementary Retirement Plan (SRP). The PARS is a public agency multiple-employer retirement trust (TRUST) under Section 401(a) and 501 of the Internal Revenue Code. The PARS is available to all public agencies that have formally adopted the Trust and established qualified retirement plans. Each agency plan in the Trust stands alone as an independent entity for tax and legal purposes. The District offers PARS plans to part-time, temporary and other employees who otherwise are not eligible to participate in SFERS or CalSTRS.

#### **ARS**

The ARS is defined contribution plan available to District employees, including part-time, seasonal and temporary, who are not accruing benefit under Social Security or another retirement plan which meets the requirements of Internal Revenue code 3121(B)(7)(F). Employees participating in ARS contribute 3.25 percent effective January, 2008 of their salary which is matched by a District contribution of 6.20 percent effective January, 2009, an increase of 1.95% over the prior year paid from 2008 Prop A funds. All contributions are immediately vested at 100 percent. During the year ended June 30, 2010, 2009 and 2008 the District made contributions of \$106,870, \$62,906 and \$44,604, respectively.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

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### **TBP**

The TBP has components of a defined contribution and defined benefit plan and is available to District employees not accruing a benefit under another retirement system provided or maintained by the District. Employees participating in TBP contribute 5.25 percent effective January, 2008 of their salary which immediately vests at 100 percent. The District makes an annual contribution of 6.25 percent to the Employer Reserve account. Annually, an allocation from the Employer Reserve account to each participant's Employer Allocation account is made based on an actuarial formula, which when combined with the employee contribution, would fully fund the projected target benefit of providing life annuity with a 2 percent cost-of living adjustment totaling 2 percent of the participant's 3 year average annual compensation for each year of service. The Employer Allocation account vests at 100 percent after 5 years of service (with a minimum of 700 hours in each year of service) with no partial vesting. During the year ended June 30, 2010, 2009, and 2008 the District's contribution was \$2,274,402, \$2,202,892, and \$2,082,770.

### **SRP**

The SRP is a defined benefit retirement plan that is available to eligible certificated bargaining unit members that elected to participate during the enrollment period ending in fiscal 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. These 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:

<u>Fiscal Year</u>	<u>Percent of Annual Payroll</u>	<u>General</u>	<u>County School</u>	<u>Child Development</u>	<u>Total State Contribution</u>
2007-08	4.517	\$ 9,342,402	\$ 1,732,016	\$ 619,914	\$ 11,694,332
2008-09	4.517	\$ 9,998,483	\$ 1,806,129	\$ 631,778	\$ 12,436,390
2009-10	4.267	\$ 10,148,774	\$ 1,779,610	\$ 608,467	\$ 12,536,851

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### 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, 2010.

#### **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 has an estimated potential range of loss, in excess of insurance deductibles of \$0 to \$600,000 and is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2010.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2010**

### Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT SITE	Remaining Construction Commitment	Expected Date of Completion
135 Van Ness Ave	\$ 14,500	8/30/2010
Abraham Lincoln High School	2,805,077	9/9/2010
Alamo Elementary School	786,512	12/7/2010
Alice Fong Yu Elementary School	265,220	9/8/2010
Ap Giannini Middle School	260,215	9/3/2010
Aptos Middle School	2,156,254	12/1/2010
Balboa High School	1,208,298	9/2/2010
Bryant Elementary School	207,700	11/1/2010
Buena Vista Elementary School	2,331,525	7/17/2011
Cesar Chavez Elementary School	210,001	10/24/2010
Clarendon Elementary School	432,020	2/21/2011
Cleveland Elementary School	973,709	11/14/2010
Dr. Martin Luther King Middle School	373,312	7/16/2010
Fairmount Elementary School	194,413	8/28/2010
George Washington High School	843,780	11/5/2010
Glen Park Elementary School	122,750	8/2/2010
Grattan Elementary School	2,934,068	8/28/2011
Herbert Hoover Middle School	10,338,200	1/30/2012
Independence High School	142,800	9/29/2010
International Studies Academy	5,227,792	8/31/2011
International Studies Academy at Enola Maxwell Middle School	6,740,525	8/5/2011
James Lick Middle School	28,115	8/9/2010
John Muir Elementary School	1,067,662	8/2/2010
John Yehall Chin Elementary School	38,895	9/3/2010
Jose Ortega Elementary School	28,545	9/5/2010
Junipero Serra Annex Child Development Center	39,684	7/30/2010
Lafayette Elementary School	50,270	11/4/2010
LakesShore Elementary School	1,679,520	9/6/2010
Luther Burbank Middle School	308,111	8/29/2010
Malcolm X Elementary School - Greening	60,610	9/6/2010
Mckinley Elementary School	147,207	8/27/2010
New Traditions Elementary School	224,450	8/23/2010
Raoul Wallenberg High School	7,083,039	8/28/2011
Rooftop Elementary School - Greening	45,414	8/23/2010
Rosa Parks Elementary School - Greening	38,450	8/23/2010
Sanchez Elementary School	521,238	9/1/2010
School Health Programs Admin	98,142	7/31/2010
Sherman Elementary School	3,000	on-hold
Ulloa Elementary School - Greening	74,880	8/23/2010
Total modernization at various sites	<u>\$ 50,105,903</u>	

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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### **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 - SUBSEQUENT EVENT**

The District issued \$79,500,000 of Tax and Revenue Anticipation Notes dated July 1, 2010. The notes mature on June 30, 2011, and yield 2.00 percent interest. The notes were issued to supplement cash flow. Repayment requirements are that 50 percent of principal and interest be deposited with the Fiscal Agent by January 31, 2011, until 100 percent of principal and interest is due on account by April 30, 2011.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variations -
	(GAAP Basis)			Favorable
	Original	Final		(Unfavorable) Final to Actual
<b>Revenues:</b>				
Revenue limit sources	\$ 254,754,696	\$ 241,668,103	\$ 244,153,822	\$ 2,485,719
Federal sources	66,815,532	60,141,635	48,898,064	(11,243,571)
Other state sources	117,146,230	125,642,863	129,568,886	3,926,023
Other local sources	117,808,185	123,270,122	124,149,619	879,497
<b>TOTAL REVENUES<sup>1</sup></b>	<b>556,524,643</b>	<b>550,722,723</b>	<b>546,770,391</b>	<b>(3,952,332)</b>
<b>Expenditures</b>				
Certificated salaries	224,742,202	239,321,607	244,679,809	(5,358,202)
Classified salaries	75,840,869	79,720,321	72,054,045	7,666,276
Employee benefits	118,571,415	122,143,399	118,915,853	3,227,546
Books and supplies	18,424,228	25,196,496	18,043,507	7,152,989
Services and operating expenditures	67,188,557	74,785,664	55,388,895	19,396,769
Other outgo	45,148,482	45,125,264	42,453,139	2,672,125
Capital outlay	103,250	840,134	461,896	378,238
Debt service - principal	-	1,204,163	1,204,163	-
Debt service - interest	-	1,125,307	1,125,307	-
<b>TOTAL EXPENDITURES<sup>1</sup></b>	<b>550,019,003</b>	<b>589,462,355</b>	<b>554,326,614</b>	<b>35,135,741</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>6,505,640</b>	<b>(38,739,632)</b>	<b>(7,556,223)</b>	<b>31,183,409</b>
<b>Other Financing Uses:</b>				
Transfers out	10,300,919	10,499,441	(13,493,580)	(23,993,021)
<b>NET CHANGE IN FUND BALANCES</b>	<b>16,806,559</b>	<b>(28,240,191)</b>	<b>(21,049,803)</b>	<b>7,190,388</b>
Fund balance - Beginning	97,852,864	97,852,864	97,852,864	-
Fund balance - Ending	<b>\$ 114,659,423</b>	<b>\$ 69,612,673</b>	<b>\$ 76,803,061</b>	<b>\$ 7,190,388</b>

<sup>1</sup> On behalf payments of \$10,148,774 are included in the actual Other State Sources and Instructional expenditures, but are not included in the Budgeted amounts.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**COUNTY SCHOOL SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>(GAAP Basis)</b>			<b>Favorable</b>
	<b>Original</b>	<b>Final</b>		<b>(Unfavorable)</b>
			<b>Final</b>	<b>to Actual</b>
<b>Revenues:</b>				
Revenue limit sources	\$ 13,411,168	\$ 13,183,265	\$ 13,596,242	\$ 412,977
Federal sources	24,132,515	25,034,667	24,490,290	(544,377)
Other state sources	46,335,430	46,890,895	62,695,731	15,804,836
Other local sources	41,182,715	41,203,715	36,750,517	(4,453,198)
<b>TOTAL REVENUES<sup>1</sup></b>	<b>125,061,828</b>	<b>126,312,542</b>	<b>137,532,780</b>	<b>11,220,238</b>
<b>Expenditures</b>				
Current				
Certificated salaries	43,313,414	43,174,859	42,905,155	269,704
Classified salaries	23,689,270	23,862,322	22,763,397	1,098,925
Employee benefits	27,442,500	27,350,584	25,128,619	2,221,965
Books and supplies	1,304,552	1,684,668	1,297,193	387,475
Services and operating expenditures	27,727,282	28,564,676	29,617,849	(1,053,173)
Other outgo	1,539,360	1,539,360	1,539,360	-
<b>TOTAL EXPENDITURES<sup>1</sup></b>	<b>125,016,378</b>	<b>126,176,469</b>	<b>123,251,573</b>	<b>2,924,896</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>45,450</b>	<b>136,073</b>	<b>14,281,207</b>	<b>14,145,134</b>
Fund balance - Beginning	(10,084,023)	(10,084,023)	(10,084,023)	-
Fund balance - Ending	<u>\$ (10,038,573)</u>	<u>\$ (9,947,950)</u>	<u>\$ 4,197,184</u>	<u>\$ 14,145,134</u>

<sup>1</sup> On behalf payments of \$1,779,610 are included in the actual revenues and expenditures, but are not included in the Budgeted amounts.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
June 1, 2007	-	\$ 686,633,364	\$ 686,633,364	0.00%	\$ 352,008,018	195%
November 1, 2009	-	\$ 552,653,686	\$ 552,653,686	0.00%	\$ 370,787,776	149%

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***SUPPLEMENTARY INFORMATION***

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**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct grants:			
Safe Schools/Healthy Students Grant	84.184L	2	\$ 2,332,237
Mentoring Program Grants	84.184B	2	417,522
Mentoring for Success - Foster Youth	1	2	66,549
Mentoring for Success - Student mentor program for Gang	1	2	43,630
Physical Education Nutrition (PENI)	84.215F	2	71,708
CNN Nutrition Grant	10.561	2	1,394,390
Comprehensive School Health Local Training	93.938	2	589,905
Emergency Response and School Safety	84.184E	2	19,198
ESEA: Teaching American History	84.215X	2	67,719
Foreign Language Assistance - Japanese	84.293B	2	448,888
SF Promise College Prep Program	84.215K	2	195,160
Tech Assistance for Student Assignments	84.004F	2	87,709
Passed through California Department of Education (CDE):			
No Child Left Behind			
Title I			
Part A, Basic Grants Low Income and Neglected	84.010	14981	14,787,671
Part A, Program Improvement LEA Corrective Action	84.010	14955	2,380,647
Part A, ARRA Basic Grants Low Income and Neglected	84.389	15005	3,813,917
Part B, Reading First Program - LEA subgrant	84.357	14328	402,506
Part B, Reading First Program - Special Education	84.357	14911	1,896,490
Part C, Migrant Ed - Regular	84.011	14326	146,558
Part C, Migrant Ed (Regular and Summer Program)	84.011	10005	51,886
Part D, Local Delinquent Program	84.010	14357	505,648
School Improvement Grant (SIG) for QEIA Schools	84.377	14971	1,212,719
ARRA School Improvement Grant (SIG) for QEIA	84.389	15004	195,535
ARRA, Part D, Local Delinquent Program	84.389	15009	192,825
Part G, Advanced Placement AP Test Fee	84.033	10003	20,666
Title II			
Part A, Teacher Quality	84.367	14341	3,752,818
Part A, Administrator Training	84.367	14344	16,255
Part B, CA Mathematics and Science Partnership	84.366	14512	1,029,906
Part D, Enhancing Education Through Technology	84.318	14334	207,767
Part D, Enhancing Education Through Technology	84.318	14368	201,948
subtotal			36,550,377

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
No Child Left Behind, continued			
Title III			
Immigrant Education Program	84.365	15146	853,305
Limited English Proficient (LEP) Student Program	84.365	10084	1,337,026
Title IV			
Part A, Safe and Drug-Free Schools	84.186	14378	229,927
Part B, 21st Century Community Learning Centers	84.287	14349	5,419,723
Part B, 21st CCLC Program Technical Assistance	84.287	14350	45,000
Title V			
Part A, Innovative Education Strategies	84.298A	14354	46,721
Part B, Public Charter Schools Grant Program	84.282	14531	282,500
Title X			
McKinney-Vento Homeless Assistance Grants	84.196	14332	107,714
ARRA McKinney-Vento Homeless Assistance Grants	84.387	15007	104,768
Gear-Up	84.334A	10088	2,864,285
Indian Education	84.060	10011	10,768
ARRA: State Fiscal Stabilization Fund	84.394	25008	25,337,162
Special Education - IDEA			
Basic Local Assistance Entitlement	84.027	13379	11,709,223
ARRA Part B, Section 611, Basic Local Assistance	84.391	15003	6,588,357
Preschool Grants	84.173	13430	293,122
ARRA Part B, Section 619, Preschool Grants	84.392	15000	117,288
Preschool Local Entitlement	84.027A	13682	523,397
ARRA Part B, Section 611, Preschool Local Entitlement	84.391	15002	375,738
Mental Health Allocation Plan	84.027	14468	1,539,360
Preschool Local Staff Development Grant	84.173A	13431	1,346
California Preschool Instructional Network Special	84.173	14530	12,825
Early Intervention	84.181	23761	202,090
Voc & Appl Tech Secondary II C, Sec 131	84.048	13924	396,223
Total U.S. Department of Education			<u>94,948,245</u>

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE):			
Child Care Food Program -Centers and Family Day	10.558	13393	1,768,490
Commodities Fair Market Value <sup>3</sup>	10.556	13396	412,003
Commodities of Fresh Food and Vegetables	10.582	14968	76,030
Basic School Breakfast Program	10.553	13390	23,004
Especially Needed Breakfast Program	10.553	13526	1,706,284
Meal Supplement	10.556	13392	773,786
National School Lunch Program	10.555	13391/13396	<u>8,835,658</u>
Total U.S. Department of Agriculture			<u>13,595,255</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Army JROTC	12.000	2	571,515
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Learn & Serve America District Partnerships and Regional	94.004	13161	35,885
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct grants:			
Urban Watershed Project	11.429	2	35,318
Passed through California Department of Education (CDE):			
Child Development Fed Center-Based Contract	93.596	13609	9,991,142
ARRA Child Development Fed Center-Based Contract	93.713	15013	10,000,000
Infant/Toddler Child Care Resource Contracts	93.575	13942	2,220
Head Start	93.600	10016	634,116
Medi-Cal Billing Option	93.778	10013	<u>1,320,189</u>
Total U.S. Department of Health and Human Services			<u>21,982,985</u>
Total Federal Grants			<u>\$ 131,133,885</u>

<sup>1</sup> CFDA number not available

<sup>2</sup> Direct funded programs; PCA number not applicable

<sup>3</sup> Amount not included in financial statements

See accompanying note to supplementary information.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2010

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### ORGANIZATION

The San Francisco Unified School District was established in 1851 and consists of an area comprising approximately 49 square miles. The District operates 72 elementary schools, 13 middle schools, 19 senior high schools (including two 2 continuation schools and an independent study school) and 36 state-funded preschool sites.

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jane Kim	President	2011
Hydra Mendoza	Vice President	2011
Sandra Fewer	Member	2013
Kim-Shree Maufas	Member	2011
Rachel Norton	Member	2013
Jill Wynns	Member	2013
Norman Yee	Member	2013

### ADMINISTRATION

Carlos Garcia	Superintendent of Schools
Karling Aguilera-Fort	Assistant Superintendent, APD, Learning Support & Equity
Trish Bascom	Associate Superintendent, Student Support Services
Roger Buschmann	Chief Human Resources Officer
Richard Carranza	Deputy Superintendent, Instruction, Innovation & Social Justice
Veronica Chavez	Assistant Superintendent, Elementary
Margaret Chiu	Assistant Superintendent, High Schools
David Goldin	Chief Facilities Officer
Joseph Grazioli	Chief Financial Officer
Nur Jehan Khalique	Assistant Superintendent, Elementary
Myong Leigh	Deputy Superintendent, Policy & Operations
Maribel Medina	General Counsel
Brianne Meyer	Chief Technology Officer
Jeannie Pon	Assistant Superintendent, Middle Schools
Francisca Sanchez	Associate Superintendent, Academic & Professional Development
Kevin Truitt	Associate Superintendent, Leadership, Equity, Achievement & Design
Wendy Tukloff	Assistant Superintendent, Elementary

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

	Amended * Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	4,376	4,387
First through third	11,875	11,873
Fourth through sixth	10,408	10,411
Seventh and eighth	6,794	6,797
Home and hospital	11	12
County community school	4	6
Juvenile hall	9	10
Special education	1,088	1,110
Nonpublic/ Nonsectarian schools	48	47
Total Elementary	34,613	34,653
<b>SECONDARY</b>		
Regular classes	14,784	14,716
Continuation education	345	336
Home and hospital	5	4
County community school	177	176
Juvenile hall	135	133
Special education	787	781
Nonpublic/ nonsectarian schools	165	160
Student in Cal-SAFE	46	49
Total Secondary	16,444	16,355
Total K-12	51,057	51,008
<b>REGIONAL OCCUPATIONAL PROGRAM</b>	452	437
Grand Total	51,509	51,445

\* District amended report on July 2010.

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2009-10 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	32,014	31,125	36,000	35,000	46,400	180	Complied
Grades 1 - 3							
Grade 1	45,755	44,484	50,400	49,000	50,445	180	Complied
Grade 2	45,755	44,484	50,400	49,000	50,520	180	Complied
Grade 3	45,755	44,484	50,400	49,000	50,520	180	Complied
Grades 4 - 6							
Grade 4	48,788	47,433	54,000	52,500	54,000	180	Complied
Grade 5	48,788	47,433	54,000	52,500	54,000	180	Complied
Grade 6	48,788	47,433	54,000	52,500	57,646	180	Complied
Grades 7 - 8							
Grade 7	57,525	55,927	54,000	52,500	57,646	180	Complied
Grade 8	57,525	55,927	54,000	52,500	57,646	180	Complied
Grades 9 - 12							
Grade 9	58,458	56,834	64,800	63,000	64,890	180	Complied
Grade 10	58,458	56,834	64,800	63,000	64,890	180	Complied
Grade 11	58,458	56,834	64,800	63,000	64,890	180	Complied
Grade 12	58,458	56,834	64,800	63,000	64,890	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, 2010**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report, and the audited financial statements.

	<u>General</u>
FUND BALANCE	
Balance, June 30, 2010, (Unaudited Actual)	\$ 74,292,509
Increase in accounts receivable	<u>2,510,552</u>
Balance, June 30, 2010, Audited Financial Statements	<u><u>\$ 76,803,061</u></u>

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	(Budget) 2011 <sup>1</sup>	2010	2009	2008
<b>GENERAL FUND</b>				
Revenues	\$ 510,472,406	\$ 546,770,391	\$ 584,500,267	\$ 531,076,188
Other sources and transfers in	-	-	1,000,000	-
Total Revenues and Other Sources	<u>510,472,406</u>	<u>546,770,391</u>	<u>585,500,267</u>	<u>531,076,188</u>
Expenditures	525,049,679	554,326,614	540,732,947	514,403,459
Other uses and transfers out	13,201,130	13,493,580	9,351,669	10,383,268
Total Expenditures and Other Uses	<u>538,250,809</u>	<u>567,820,194</u>	<u>550,084,616</u>	<u>524,786,727</u>
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	<u>\$ (27,778,403)</u>	<u>\$ (21,049,803)</u>	<u>\$ 35,415,651</u>	<u>\$ 6,289,461</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 49,024,658</u>	<u>\$ 76,803,061</u>	<u>\$ 97,852,864</u>	<u>\$ 62,437,213</u>
<b>AVAILABLE RESERVES</b>	<u>\$ 11,100,000</u>	<u>\$ 13,490,846</u>	<u>\$ 15,379,993</u>	<u>\$ 18,511,092</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup></b>	<u>2.06%</u>	<u>2.42%</u>	<u>2.85%</u>	<u>3.60%</u>
<b>LONG-TERM OBLIGATIONS</b>	<u>\$ 758,233,791</u>	<u>\$ 788,575,326</u>	<u>\$ 603,674,414</u>	<u>\$ 448,362,556</u>
<b>AVERAGE DAILY ATTENDANCE AT P-2 <sup>2</sup></b>	<u>51,001</u>	<u>51,057</u>	<u>50,760</u>	<u>50,682</u>

The General Fund balance has decrease by \$14,365,848 over the past two years. The fiscal year 2010-2011 budget projects a decrease of \$27,778,403, or 36.17 percent. For a district this size, the State recommends available reserves of at least 2 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the unrestricted General Fund in the past three years but anticipates incurring an operating deficit during the 2010-2011 fiscal year. Total long-term liabilities have increased by \$340,212,770 over the past two years. The increase in long-term liabilities is due to the issuance of general obligation bonds of \$185,000,000 in May 2010 and \$92,000,000 in October 2006.

Average daily attendance has increased by 375 over the past two years. A decrease of 56 ADA is anticipated during fiscal year 2010-2011.

<sup>1</sup> Budget 2011 is based on the most current District projection and is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> ADA amounts include District and County programs, but exclude ROP.

<sup>3</sup> On behalf payments of \$10,148,774, \$9,998,483, and \$9,342,402 have been excluded from the calculation of available reserves percentage for fiscal years ending June 30, 2010, 2009 and 2008.

See accompanying note to supplementary information.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2010

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

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	<b>Special Revenue Funds</b>			
	<b>Child Development</b>	<b>Cafeteria</b>	<b>Deferred Maintenance</b>	<b>Capital Facilities</b>
<b>ASSETS</b>				
Cash	\$ -	\$ 595	\$ 7,574	\$ -
Investments	-	-	5,149,315	18,669,734
Receivables	4,049,080	3,514,483	3,713	13,461
Stores inventories	-	25,533	-	-
<b>Total assets</b>	<b>\$ 4,049,080</b>	<b>\$ 3,540,611</b>	<b>\$ 5,160,602</b>	<b>\$ 18,683,195</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Overdrafts	\$ 2,129,314	\$ 2,723,905	\$ -	\$ -
Accounts payable	803,720	781,893	411,515	212,465
Deferred revenue	807,173	-	-	-
<b>Total liabilities</b>	<b>3,740,207</b>	<b>3,505,798</b>	<b>411,515</b>	<b>212,465</b>
<b>Fund Balances:</b>				
Reserved for:				
Other reservations	-	26,128	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	308,873	8,685	4,749,087	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	18,470,730
<b>Total fund balance</b>	<b>308,873</b>	<b>34,813</b>	<b>4,749,087</b>	<b>18,470,730</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,049,080</b>	<b>\$ 3,540,611</b>	<b>\$ 5,160,602</b>	<b>\$ 18,683,195</b>

See accompanying note to supplementary information.

Capital Project Funds			Debt Service Funds		
State School Building	County School Facilities	Special Reserve Capital Outlay	Bond Interest and Redemption	Tax Override	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,169
5,068,501	-	1,228,960	19,452,262	33,272	49,602,044
3,654	7,301,992	-	12,242	-	14,898,625
-	-	-	-	-	25,533
<u>\$ 5,072,155</u>	<u>\$ 7,301,992</u>	<u>\$ 1,228,960</u>	<u>\$ 19,464,504</u>	<u>\$ 33,272</u>	<u>\$ 64,534,371</u>
\$ -	\$ 1,258,743	\$ -	\$ -	\$ -	\$ 6,111,962
-	5,025	-	-	-	2,214,618
4,729,197	-	-	-	-	5,536,370
<u>4,729,197</u>	<u>1,263,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,862,950</u>
-	-	-	-	-	26,128
-	-	-	-	-	5,066,645
-	-	-	19,464,504	33,272	19,497,776
342,958	6,038,224	1,228,960	-	-	26,080,872
<u>342,958</u>	<u>6,038,224</u>	<u>1,228,960</u>	<u>19,464,504</u>	<u>33,272</u>	<u>50,671,421</u>
<u>\$ 5,072,155</u>	<u>\$ 7,301,992</u>	<u>\$ 1,228,960</u>	<u>\$ 19,464,504</u>	<u>\$ 33,272</u>	<u>\$ 64,534,371</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Special Revenue Funds</b>				
	<b>Child Development</b>	<b>Cafeteria</b>	<b>Deferred Maintenance</b>	<b>Retiree Benefits Special Reserve Fund</b>	<b>Capital Facilities</b>
<b>REVENUES</b>					
Federal sources	\$ 24,222,793	\$ 11,338,732	\$ -	\$ -	\$ -
Other state sources	9,903,230	935,345	-	-	-
Other local sources	5,452,482	3,338,247	67,933	-	1,413,096
<b>Total Revenues</b>	<b>39,578,505</b>	<b>15,612,324</b>	<b>67,933</b>	<b>-</b>	<b>1,413,096</b>
<b>EXPENDITURES</b>					
Current					
Instruction	28,624,052	-	-	-	-
Instruction related activities:					
Supervision of instruction	3,617,526	-	-	-	-
School site administration	4,139,980	-	-	-	-
Pupil Services:					
Food services	5,012,801	18,009,845	-	-	-
All other pupil services	285,755	-	-	-	-
General administration:					
All other general administration	1,521,098	670,531	-	-	-
Plant services	242,734	389,709	-	-	-
Facility acquisition and construction	-	-	1,772,430	-	1,797,509
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
<b>Total Expenditures</b>	<b>43,443,946</b>	<b>19,070,085</b>	<b>1,772,430</b>	<b>-</b>	<b>1,797,509</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,865,441)</b>	<b>(3,457,761)</b>	<b>(1,704,497)</b>	<b>-</b>	<b>(384,413)</b>
<b>Other Financing Sources:</b>					
Transfers in	3,692,717	3,427,739	1,000,000	-	-
Other sources	-	-	-	-	-
Transfers out	-	-	(27,930)	(12,903)	-
<b>Net Financing Sources</b>	<b>3,692,717</b>	<b>3,427,739</b>	<b>972,070</b>	<b>(12,903)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE:</b>	<b>(172,724)</b>	<b>(30,022)</b>	<b>(732,427)</b>	<b>(12,903)</b>	<b>(384,413)</b>
<b>Fund Balance - Beginning</b>	<b>481,597</b>	<b>64,835</b>	<b>5,481,514</b>	<b>12,903</b>	<b>18,855,143</b>
<b>Fund Balance - Ending</b>	<b>\$ 308,873</b>	<b>\$ 34,813</b>	<b>\$ 4,749,087</b>	<b>\$ -</b>	<b>\$ 18,470,730</b>

See accompanying note to supplementary information.

Capital Project Funds			Debt Service Funds			
State School Building	County School Facilities	Special Reserve Capital Outlay	Bond Interest and Redemption	Tax Override	COP Debt Service	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,561,525
-	7,297,875	-	158,622	-	-	18,295,072
71,270	56,292	438,721	38,951,620	1,138	-	49,790,799
<u>71,270</u>	<u>7,354,167</u>	<u>438,721</u>	<u>39,110,242</u>	<u>1,138</u>	<u>-</u>	<u>103,647,396</u>
-	-	-	-	-	-	28,624,052
-	-	-	-	-	-	3,617,526
-	-	-	-	-	-	4,139,980
-	-	-	-	-	-	23,022,646
-	-	-	-	-	-	285,755
-	-	-	-	-	-	2,191,629
-	-	-	-	-	-	632,443
-	1,535,119	-	-	-	-	5,105,058
-	-	820,887	21,175,000	-	2,660,000	24,655,887
-	-	1,329,595	22,387,652	-	562,642	24,279,889
<u>-</u>	<u>1,535,119</u>	<u>2,150,482</u>	<u>43,562,652</u>	<u>-</u>	<u>3,222,642</u>	<u>116,554,865</u>
71,270	5,819,048	(1,711,761)	(4,452,410)	1,138	(3,222,642)	(12,907,469)
-	-	2,150,482	-	-	3,222,642	13,493,580
-	-	-	11,887,238	-	-	11,887,238
-	(6,644,829)	-	-	-	-	(6,685,662)
<u>-</u>	<u>(6,644,829)</u>	<u>2,150,482</u>	<u>11,887,238</u>	<u>-</u>	<u>3,222,642</u>	<u>18,695,156</u>
71,270	(825,781)	438,721	7,434,828	1,138	-	5,787,687
271,688	6,864,005	790,239	12,029,676	32,134	-	44,883,734
<u>\$ 342,958</u>	<u>\$ 6,038,224</u>	<u>\$ 1,228,960</u>	<u>\$ 19,464,504</u>	<u>\$ 33,272</u>	<u>\$ -</u>	<u>\$ 50,671,421</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**GENERAL UNRESTRICTED AND RESTRICTED FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 903,803	\$ 513,824	\$ 1,417,627
Investments	78,567,611	36,595,270	115,162,881
Receivables	21,109,093	21,076,806	42,185,899
Prepaid expenses	2,688,908	13,000	2,701,908
Stores inventories	606,443	-	606,443
<b>Total assets</b>	<u>\$ 103,875,858</u>	<u>\$ 58,198,900</u>	<u>\$ 162,074,758</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 65,089,161	\$ 11,357,410	\$ 76,446,571
Deferred revenue	-	8,825,126	8,825,126
<b>Total liabilities</b>	<u>65,089,161</u>	<u>20,182,536</u>	<u>85,271,697</u>
<b>Fund Balances:</b>			
Reserved for:			
Restricted programs	-	38,003,364	38,003,364
Other reservations	3,295,851	13,000	3,308,851
Unreserved:			
Designated	33,136,372	-	33,136,372
Undesignated, reported in:			
General fund	2,354,474	-	2,354,474
<b>Total fund balance</b>	<u>38,786,697</u>	<u>38,016,364</u>	<u>76,803,061</u>
<b>Total liabilities and fund balances</b>	<u>\$ 103,875,858</u>	<u>\$ 58,198,900</u>	<u>\$ 162,074,758</u>

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 BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Revenue limit sources	\$ 244,153,822	\$ -	\$ 244,153,822
Federal sources	592,181	48,305,883	48,898,064
Other state sources	99,893,234	29,675,652	129,568,886
Other local sources	53,750,200	70,399,419	124,149,619
Interfund contribution	(8,814,297)	8,814,297	-
<b>Total Revenues</b>	<u>389,575,140</u>	<u>157,195,251</u>	<u>546,770,391</u>
<b>EXPENDITURES</b>			
Current			
Instruction	211,225,807	54,672,913	265,898,720
Instruction related activities:			
Supervision of instruction	11,296,357	65,759,168	77,055,525
Instructional library and technology	2,714,239	4,854,761	7,569,000
School site administration	32,666,282	933,555	33,599,837
Pupil Services:			
Home-to school transportation	292,457	8,961,201	9,253,658
Food services	66	6,472	6,538
All other pupil services	13,126,708	18,776,065	31,902,773
General administration:		-	
Data processing	6,809,764	437,529	7,247,293
All other general administration	14,921,396	5,019,594	19,940,990
Plant services	39,878,347	11,018,948	50,897,295
Facility acquisition and construction	387,757	2,667,619	3,055,376
Ancillary services	652,042	2,461,240	3,113,282
Other (outgo)	39,970,525	2,482,614	42,453,139
Enterprise services	-	3,718	3,718
Debt service			
Principal	1,204,163	-	1,204,163
Interest and other	1,125,307	-	1,125,307
<b>Total Expenditures</b>	<u>376,271,217</u>	<u>178,055,397</u>	<u>554,326,614</u>
<b>Excess (deficiency) of revenues over expenditures</b>	13,303,923	(20,860,146)	(7,556,223)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out	(13,493,580)	-	(13,493,580)
<b>Net Financing Sources (Uses)</b>	<u>(13,493,580)</u>	<u>-</u>	<u>(13,493,580)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(189,657)	(20,860,146)	(21,049,803)
<b>Fund Balance - Beginning</b>	38,976,354	58,876,510	97,852,864
<b>Fund Balance - Ending</b>	<u>\$ 38,786,697</u>	<u>\$ 38,016,364</u>	<u>\$ 76,803,061</u>

See accompanying note to supplementary information.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF UNAUDITED GENERAL UNRESTRICTED AND RESTRICTED FUNDS WITH AUDITED GENERAL UNRESTRICTED AND RESTRICTED FUNDS FOR THE YEAR ENDED JUNE 30, 2010

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Summarized below are the fund balance reconciliations between the Unaudited General Unrestricted and Restricted Funds, and the audited General Unrestricted and Restricted Funds.

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total General</u>
FUND BALANCE			
Balance, June 30, 2010, (Unaudited Actual)	\$ 38,786,697	\$ 35,505,812	\$ 74,292,509
Increase in accounts receivable	-	2,510,552	2,510,552
Balance, June 30, 2010, Audited Financial Statements	<u>\$ 38,786,697</u>	<u>\$ 38,016,364</u>	<u>\$ 76,803,061</u>

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**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 Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010. The unspent balances are reported as legally restricted ending balances within the General Fund.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 108,949,879
ARRA State Fiscal Stabilization Fund (District)	84.394	20,519,634
ARRA State Fiscal Stabilization Fund (COE)	84.394	1,252,369
Commodities	10.556	412,003
Total Schedule of Expenditures of Federal Awards		<u>\$ 131,133,885</u>

**Subrecipients**

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

<u>PROGRAM</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA State Fiscal Stabilization Fund	84.394	<u>\$ 110,000</u>

**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.

**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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. Senate Bill 2 of the 2009-10 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-10 thru 2012-13.

### **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 Charter Schools chartered by the School District or County Office of Education, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

### **Non-major Governmental Funds – Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

The Non-major Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance 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 Balance.

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

The General Unrestricted and Restricted Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance 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 Balance.

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010**

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### **Reconciliation of Unaudited General Unrestricted and Restricted Funds with Audited General Unrestricted and Restricted Funds**

This schedule provides the information to reconcile the General fund balance of unrestricted and restricted funds reported on the Unaudited Actual Financial Report, to the audited General unrestricted and restricted funds.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Francisco Unified School District as of and for the year ended June 30, 2010, which collectively comprise San Francisco Unified School District's basic financial statements and have issued our report thereon dated December 15, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered San Francisco Unified School District's internal control over financial reporting as a basis for designing our auditing procedures 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 San Francisco Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Francisco Unified School District's internal control over financial reporting.

*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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Francisco Unified School District's financial statements are free of 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*.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

*Vawrinck Trime Day + Co. LLP*

Palo Alto, California  
December 15, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of San Francisco Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. San Francisco Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Francisco Unified School District's management. Our responsibility is to express an opinion on San Francisco Unified School District's compliance based on our audit.

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 San Francisco Unified School 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. Our audit does not provide a legal determination of San Francisco Unified School District's compliance with those requirements.

As described in item 2010-1 and 2010-2 in the accompanying schedule of findings and questioned costs, San Francisco Unified School District did not comply with requirements regarding eligibility and time certification that are applicable to its Child Care and Development Block Grant major program and Improving Teacher Quality State Grants major program, respectively. Compliance with such requirements is necessary, in our opinion, for San Francisco Unified School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, San Francisco Unified School District complied, in all material respects, with the 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, 2010.

## Internal Control Over Compliance

The management of San Francisco Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Francisco Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the San Francisco Unified School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 to be significant deficiencies.

San Francisco Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Francisco Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Varinck Trime Day + Co. LLP*

Palo Alto, California  
December 15, 2010

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Francisco Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 2010. 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 2009-10*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of San Francisco Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the San Francisco Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
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
Public hearing requirement - receipt of funds	1	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	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	3	Not Applicable

Based on our audit, we found that for the items tested, the San Francisco Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the San Francisco Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on San Francisco Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vasnick Trime Day + Co. LLP*

Palo Alto, California  
December 15, 2010

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR’S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>Yes</u>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010 and 84.389 (ARRA)</u>	<u>Title I Grants to Local Educational Agency (includes ARRA)</u>
<u>93.575, 93.596, &amp; 93.713 (ARRA)</u>	<u>Child Care and Development Block (includes ARRA)</u>
<u>84.367</u>	<u>Improving Teacher Quality State Grants</u>
<u>84.394 (ARRA)</u>	<u>State Fiscal Stabilization Fund (includes ARRA)</u>
<u>84.027, 84.173, 84.391 (ARRA), &amp; 84.392 (ARRA)</u>	<u>Special Education Cluster (includes ARRA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,934,017</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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None reported.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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The following findings represent significant deficiencies, material weaknesses, and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

### 2010-1 CHILD CARE AND DEVELOPMENT BLOCK GRANT (50000)

#### Criteria or Specific Requirements

Federal guidelines require Districts receiving Child Care and Development Block Grant revenue to assess a child's eligibility and provide documentation with Form 9600 and Notice of Action forms before the child can participate in the Child Care and Development Program.

#### Condition

During our testing of Child Care and Development Block Grant (93.575, 93.596, and 93.713) exceptions were noted relating to eligibility. We tested 5 of 46 child development centers (Cobb Dr. William, Excelsior at Monroe, Bret Harte, Jefferson, and Las Americas). We noted exceptions in internal controls and compliance with eligibility the 5 child care centers tested.

#### Bret Harte center:

We tested eligibility compliance for 10 children and noted 6 instances where there was a gap between the required Form 9600 and Notice of Action form which determines the children's eligibility under the program for fiscal year 2009-10.

#### Excelsior at Monroe:

We tested eligibility compliance for 10 children and noted 1 instance where there was a gap between the required Form 9600 and Notice of Action form which determines the children's eligibility under the program for fiscal year 2009-10.

#### Cobb Dr. William:

We tested eligibility compliance for 10 children and noted 7 instances where there was a gap between the required Form 9600 and Notice of Action form which determines the children's eligibility under the program for fiscal year 2009-10.

#### Jefferson:

We tested eligibility compliance for 10 children and noted 2 instances where there was a gap between the required Form 9600 and Notice of Action form which determines the children's eligibility under the program for fiscal year 2009-10.

#### Las Americas:

We tested eligibility compliance for 10 children and noted 1 instance where there was a gap between the required Form 9600 and Notice of Action form which determines the children's eligibility under the program for fiscal year 2009-10.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### Questioned Costs

Total attendance sampled not allowed:	229.92
Total attendance sampled:	3,681.10
Error rate:	6.25%

### Questioned costs per sample:

Attendance not allowed:	229.92
Contract rate	\$ 39.46
Total question cost:	\$9,073

### Questioned costs extrapolated to the entire population:

Attendance not allowed:	29,647.04
Contract rate	\$ 39.46
Total question cost:	\$ 1,169,872

### Context

All Child Care and Development Block Grant revenues. Management and staff turnover contributed to the instances of non-compliance. Management was concerned with the turnover of staff responsible for completion and monitoring of the eligibility forms and conducted an internal review prior to the end of the fiscal year which also noted non-compliance. The expected corrective action was not monitored to ensure compliance.

### Effect

As a condition of receiving the Federal funds, the District must be in compliance with eligibility requirements. Funding will be reduced for the exceptions noted, and could be further reduced by extrapolation of the error rate.

### Cause

Internal controls, staff training, and monitoring was not adequate to compensate for the personnel turnover experienced during the year.

### Recommendation

The District should conduct an internal review of compliance with eligibility requirements for all children enrolled during the 2009-10 fiscal year and amend reports as necessary. The internal review of compliance with eligibility standards should be extended to the 2010-11 fiscal year through implementation of the corrective action.

The District should conduct annual training for all management and staff involved in meeting Federal compliance requirements and new employees should be provided training immediately after employment.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### District Response

The Child Development Program (CDP) is currently providing mandatory quarterly professional development sessions to CDP site administrators and clerks regarding Title V rules and regulations. Follow up site support/technical assistance will be provided to targeted sites to monitor and ensure compliance regarding recertification. The weekly CDP Recertification Alert Report will continue to help support and be in compliance with the recertification timelines. In addition, the Child Development Program is also developing a plan that will centralize the enrollment and recertification processes in the 2011-2012 school year. This change will enhance the Child Development Program's internal and quality controls and reduce the Program's non-compliance risks.

### 2010-2 TIME CERTIFICATIONS (50000)

#### Criteria or Specific Requirements

OMB Circular A-87 stipulates how charges for salaries and benefits should be documented. It is the District's responsibility to ensure that salaries and wages charged to Federal programs are supported by semi-annual certifications for personnel 100% funded by federal programs and by personnel activity reports for employees who activities are partially funded by federal programs. Time certifications should be properly reviewed and signed off by appropriate supervisor.

#### Condition

Significant Deficiency, Instance of Non-Compliance – The employees whose salaries are partially funded by Title II- Improving Teacher Quality (CFDA# 84.367) were not supported by personnel activity reports as required by OMB Circular A-87.

#### Questioned Costs

Total payroll expenditures under this program that were not supported by personnel activity reports were \$536,624.

#### Context

During our testing of payroll related expenditures for Title II – Improving Teacher Quality (CFDA# 84.367) program we noted the condition above.

#### Effect

Inappropriate and insufficient documentation of time accounting requirements under Title II – Improving Teacher Quality program could ultimately cause federal expenditures to be disallowed or funding could be jeopardized.

#### Cause

Lack of thorough understanding of the OMB A-87 documentation requirement.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### **Recommendation**

The District should conduct an internal review of compliance with requirements stated in OMB A-87. In house training should be provided to responsible personnel on procedures necessary to comply with OMB A-87. Procedures should include internal audit processes to ensure compliance throughout the year.

### **District Response**

The District agrees with the findings as written and will move forward to implement corrected action in 2010-11 school year as noted in the auditor's recommendations.

The District is already implementing a new 2010-11 quarterly review of personnel time to assist with meeting Time Certification standards for Federally funded programs, as advised by OMB A-87.

The District will be providing training to staff to ensure that Time Certifications requirements are completed on a quarterly basis as recommended by the auditors.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance
72000	School Accountability Report Card

### 2010-3 AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000)

#### Criteria or Specific Requirements

Education Code 8482.3(f)(10) states that the reported number of students served through the After School Education and Safety (ASES) program should be supported by written records that document the student's participation in the program.

Education Code 8483.9(b) and (c) states that a program participant receiving state funding shall ensure that no less than 85 percent of that funding is allocated to school sites for direct services to pupils and no more than 15 percent of that funding is allocated to administrative cost, including indirect cost.

Education Code 8483.7(a)(5) states that a program participant receiving state funding shall contribute cash or in-kind local funds, equal to not less than one-third of the total state grant, which may have originated from the school district, other governmental agencies, community organizations, or the private sector. Facilities or space usage may fulfill not more than 25 percent of required local contribution.

#### Condition

We noted, in our testing, five ASES sites (Tenderloin, Glen Park, Paul Revere, Sunset and Buena Vista) where the summarized attendance for August 2009 to December 31, 2009 sheets did not agree to the number of students served in the first semi-annual report submitted to the State. It was noted that the total number of students served as indicated in the summarized attendance sheets was less than the actual number reported to the State. For two of the ASES sites (Glen Park and Paul Revere), the daily sign in/out sheets did not agree to the monthly attendance summary sheets. Paul Revere attendance sheets did not have time-out, parent signatures, and teacher signature. For Glen Park there were numerous incidents where students were marked absent in attendance sheet but marked present in summary sheets.

Additional attendance testing indicates that, for five ASES sites, (Tenderloin, Paul Revere, Sunset, Redding and AP Gianni) the summarized attendance sheet for January 2010 to June 30, 2010, did not agree to the number of students served in the second semi-annual report submitted to the State. It was noted that the total number of students served as indicated in the summarized attendance was less than the actual number reported to the State. For four of the ASES sites (Paul Revere, Tenderloin, Redding and AP Gianni), the daily sign in/out sheets did not agree to the monthly attendance summary sheets. Paul Revere attendance sheets did not have time-out, parent signatures, and teacher signature. For Tenderloin, Redding and AP Gianni, there were numerous incidents where students were marked absent in attendance sheet but marked present in summary sheets.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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Compliance over the one-third of in-kind contribution was not tested as the District was not able to provide the necessary documentation to support the total in-kind contribution.

Compliance over the 85 percent of direct services to pupils was not tested as the District was not able to provide the necessary documentation to support and test the 85 percent compliance requirement.

Recent discussions with District personnel indicate they are in the process of gathering this data.

### **Questioned Costs**

The total grant amount of \$11,823,242.

### **Context**

The entire revenues for After School Education and Safety program.

### **Effect**

As a condition to the receiving the funds from the State, the District must be in compliance with program requirements. The District could potentially lose funding from the State and could be subject to penalty due to the noncompliance noted above.

### **Cause**

The District operates the ASES program in 73 of their school sites and accounts for attendance on a manual system. Each ASES site submits attendance information to a centralized location where the information is summarized and used to complete the Semi-annual report. As indicated by an ASES staff member, attendance reporting, tracking, and monitoring is done in multiple ways at each site. This makes the compiling and summarizing of attendance complicated and more prone to errors. It appears that the lack of continuity between the ASES sites and the central office is the cause for inaccurate attendance reporting.

### **Recommendation**

It is recommended that the District provide training to the operators of the program in order to maintain accurate records over attendance, in-kind contribution, and 85 percent direct pupil service program requirements.

### **District Response**

We are aware of the conditions as noted in the auditor's finding. We are currently working with the State's Regional Technical Assistance Team to provide the District with the necessary training of staff to be in compliance for 2010-11. In November, several members from SFUSD visited the Fresno County Office of Education to receive additional technical assistance related to overall program monitoring. We are currently in the process of hiring a consultant with expert level knowledge of ASES programs to support the District with addressing the audit findings and ensuring that the District will be in full compliance for 2010-11.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### 2010-4 SCHOOL ACCOUNTABILITY REPORT CARD (72000)

#### **Criteria or Specific Requirements**

Information in the School Accountability Report Card relating to school facility should be consistent with the information in the interim evaluation instrument developed by the Office Public School Construction (OPSC) pursuant to the provisions of the subdivision (d) of Education Code Section 17002.

#### **Condition**

During our testing, we noted that out of 22 OPSC interim evaluation instruments selected, 4 had inconsistent information with the School Accountability Report Card. Per interview with management, the OPSC interim evaluation for the 4 sites were not used to fill out the school facility section of the School Accountability Report Card.

#### **Questioned Costs**

There is no questioned cost associated with this condition because there is no funding related to School Accountability Report Card.

#### **Context**

Our testing of the District's School Accountability Report Cards for all sites revealed the above condition.

#### **Effect**

School Accountability Report Cards have inaccurate information.

#### **Cause**

The department completing the School Accountability Report Card did not use the facility evaluation form when completing the School Accountability Report Cards.

#### **Recommendation**

The District should ensure that interim evaluation instrument developed by the Office Public School Construction (OPSC) are used when completing the school facility section noted on the School Accountability Report Card.

#### **District Response**

The District has used the corrected facilities inspection tool (FIT) since its latest revision in July 2009. These reports are submitted to Buildings and Grounds where the work orders are logged and where staff re-formats the FIT so that the information can be printed on the SARC. A review in June discovered that the person doing the formatting was not necessarily reading across the page, but uphill and downhill. Staff at Buildings and Grounds will be more careful and double check results in reformatting in the future.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *Financial Statement Findings*

#### **2009-1 Code 20000**

##### *Title Inventory of Equipment*

##### **Finding**

Moveable equipment has not been inventoried for several years.

Absent physical inventories, assets may be moved, misplaced, scrapped, or stolen which could compromise the District's ability to establish value in the event of an insurance claim; potential overstatement of inventory when deletions are not identified; and reduced oversight necessary for control of the fixed assets.

##### **Recommendation**

Periodic physical inventories should be conducted, preferably annually. To reduce costs, each custodian of assets could provide confirmation of inventory under their control with random audits to verify the accuracy. The inventory listing should be reconciled to the District's financial statements.

##### **Current Status**

Implemented.

#### **2009-2 Code 30000**

##### *Title Internal Control*

##### **Finding**

The District submits employee and retiree information provided by the County Health and Human Services department to the actuary without comparing the information to District records.

Without accurate current employee and retiree information the actuarial report could calculate materially inaccurate unfunded OPEB liabilities and annual required contributions for financial statement purposes.

##### **Recommendation**

We concur with the District's intent to review the employee and retiree data base for accuracy prior to submission to the actuary. The actuary made several recommendations in the January 2010 report. We concur with the actuary's recommendations. The District should determine whether an administrative audit should be conducted based on evaluation of the District's compliance with the actuary recommended best practices.

##### **Current Status**

Implemented.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### *Federal Award Findings*

**2009-3 Code 50000**

#### *Title Federal Compliance*

##### **Finding**

We tested 5 of 36 child development centers (Cobb Dr. William, Excelsior at Monroe, Bret Harte, Presidio, and Daniel Webster). We noted exceptions in internal controls and compliance with eligibility at 3 of the 5 centers tested.

##### Bret Harte center.

We tested eligibility compliance for 12 children and noted 3 instances where the District did not complete the required Form 9600 and Notice of Action form to assess the children's eligibility under the program for fiscal year 2008-09.

##### Excelsior at Monroe.

We tested eligibility compliance for 16 children and noted 1 instance where the Form 9600 and Notice of Action form was not completed until two months after the child's enrollment. Additionally, we noted 2 instances where Form 9600 and Notice of Actions forms were not properly completed with required signatures missing by the child's parents/guardian, District representative, or both.

##### Cobb Dr. William.

We tested eligibility compliance for 15 children and noted 1 instance where the Form 9600 and Notice of Action form was not completed until two months after the child's enrollment. Additionally, we noted 4 instances where Form 9600 and Notice of Actions forms were not properly completed with required signatures missing by the child's parents/guardian, District representative, or both.

##### **Recommendation**

The District should conduct an internal review of compliance with eligibility requirements for all children enrolled during the 2008-09 fiscal year and amend reports as necessary. We concur with the planned corrective action in the District response. The internal review of compliance with eligibility standards should be extended to the 2009-10 fiscal year through implementation of the corrective action.

The District should conduct annual training for all management and staff involved in meeting Federal compliance requirements and new employees should be provided training immediately after employment.

##### **Current Status**

Not Implemented. See current year federal award finding 2010-1.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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### *State Award Findings*

**2009-4 Code 40000**

#### *Title State Compliance*

##### **Finding**

We tested 6 of 88 ASES sites (Garfield, Horace Mann, Lafayette, Roosevelt, Brett Harte, and Cleveland) and noted the summarized attendance for August 2008 to December 31, 2008 sheet did not agree to the number of students served reported in semi-annual reports submitted to the State. The total number of students served as indicated in the summarized attendance was less than the actual number reported to the State and were less than the funding targets. The attendance for two sites (Garfield and Horace Mann) was less than 75 percent of the funding targets. We also noted that pupils were not consistently completing the sign in/out forms to indicate the time the pupil left the program. Pupils who did not indicate the time they left the program were not counted by the sites tested.

We reviewed the semi-annual attendance reports for all sites and determined that the attendance reported was the target attendance and not the actual attendance.

The District revisited the sites selected to review the counts and supporting documentation. The District determined that the sites were not correctly interpreting the criteria for counting attendance resulting in under reporting. Additionally, the District was able to determine by alternate procedures that some of the pupils who were not counted because they did not sign out were in attendance for the full program. Although the District recount resulted in increases in attendance, we did not extend our procedures to audit the District recounts because all six sites remained below the target levels with two sites less than the 75% funding target.

The sites submit attendance information to the central office where the eligibility is verified and attendance is summarized for semi-annual reporting. The semi-annual reports apparently ignored the attendance summaries and reported target attendance in error. All ASES sites with actual attendance below the target attendance would be over reported.

##### **Recommendation**

We recommend that the District conduct an internal review of attendance reporting for all sites and amend the semi-annual reports for 2008-09 as necessary.

The District should prepare and enforce common procedures for all sites and the central office, including establishing monitoring procedures for actual vs. target attendance, correct reporting of attendance at the site level and internal review and approval of the accuracy of the semi-annual reports prior to submission. Management and staff responsible for the process should be provided annual training and new employees provided training immediately after employment.

The CDE staff and Regional After School Technical Assistance Support (RASTAS) team will provide on-site visits and technical support for the operation of an effective program. We recommend that the District contact the RASTAS for technical assistance to institute best practices for the ASES program.

##### **Current Status**

Not Implemented. See current year state award finding 2010-3.