

**SAN FRANCISCO UNIFIED  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2011**

# 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, 2011, 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 2010-11*, 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, 2011, 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.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, 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 required supplementary information, such as management's discussion and analysis, budgetary comparison, and other postemployment, 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.

Vawrinek Time Day + Co. LLP

Palo Alto, California  
December 15, 2011

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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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:

- 73 elementary schools and K-8 schools
- 13 middle schools
- 18 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 twelve (12) active Charter Schools: Creative Arts, Life Learning, Gateway High School, Leadership High School, Five Keys Charter School, KIPP Bay View Academy, KIPP Bay Academy, City Arts and Technology High School, Metropolitan Arts and Technology High School, Five Keys Adult School, Five Keys Independent High School, and San Francisco Flex Academy.

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. At the same time, however, wide gaps in achievement between groups of students persist.

The Board of Education adopted in May 2008 the District’s strategic plan, *Beyond the Talk: Taking Action to Educate Every Child Now*.

As identified in the plan, SFUSD is focused on the following goals:

- Access & Equity – Make social justice a reality
- Student Achievement – Engage high achieving and joyful learners
- Accountability – Keep our promises to students and families

A great deal of information about the strategic plan, including the full text of the plan and related objectives, initiatives, and resources can be found at [www.sfusd.edu](http://www.sfusd.edu).

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2011**

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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.

The District's staff members share a commitment to deliver programs that will 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 strategies that have helped in closing gaps in academic achievement outcomes among groups 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 State of California's fiscal challenges, particularly over the past decade, have had a significant impact on the funds available for school budgets. However, throughout this significant, protracted downturn in state funding, the District has stretched its resources to deliver high-quality educational services. The District's teachers, principals, and other staff members are continuing their efforts to raise academic achievement of already high performing students and dramatically accelerate the achievement of those who need the most support to achieve SFUSD's vision for student success.

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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2011**

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- Expanding Opportunities and Support – we want every school, no matter where it is located, to be excellent. Fourteen schools that need the most intensive support have been designated as the “Superintendent’s Zone” schools and are receiving 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 an extensive 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.

### FINANCIAL HIGHLIGHTS

#### 2011 RESULTS OF OPERATION

##### Unrestricted General Fund Results of Operations

During fiscal year 2010-2011, the District’s Unrestricted General Fund ending balance increased from a balance of \$38,786,697 to \$55,795,739, a \$17 million increase or 43.9%.

The Unrestricted General Fund ongoing Revenue Sources increased by \$1.5 million or 0.4%. There was an increase in Revenue Limit of \$15.4 million or 6.3%. This was offset by a reduction in the City Rainy Day Fund of \$17.5 million. There were minor increases in other Local Revenue.

The Unrestricted General Fund was required to contribute to other funds, primarily Special Education, Transportation, Child Development, Student Nutrition, and Debt Service.

Expenses totaled \$361.6 million, which was (\$14.7 million) or (3.9%) less than 2009-2010.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### General Fund Ending Balance and Reserves

The District's combined General Fund ending balance at June 30, 2011 (restricted plus unrestricted) is \$78,288,504. The District's restricted program fund balances, which total \$22,492,765, 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 \$52,613,460.

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>2010</b>	<b>2011</b>	<b>Variance</b>
Revenue limit sources	\$ 244,153,822	\$ 259,585,629	\$ 15,431,807
Federal sources	48,898,064	50,697,277	1,799,213
Other state sources	129,568,886	129,957,893	389,007
Other local sources	124,149,619	107,952,454	(16,197,165)
	<u>\$ 546,770,391</u>	<u>\$ 548,193,253</u>	<u>\$ 1,422,862</u>

**Table 2**

	<b>2010</b>	<b>2011</b>	<b>Variance</b>
Instruction	\$ 265,898,720	\$ 247,487,665	\$ 18,411,055
Instruction related activities	118,224,362	112,045,160	6,179,202
Pupil Services	41,162,969	38,822,115	2,340,854
General administration	27,188,283	26,473,422	714,861
Plant services	50,897,295	50,915,298	(18,003)
Facility acquisition and construction	3,055,376	3,415,638	(360,262)
Ancillary services	3,113,282	3,285,578	(172,296)
Enterprise	3,718	3,685	33
Other (outgo)	42,453,139	48,554,602	(6,101,463)
Debt service	2,329,470	3,223,875	(894,405)
Transfers out	13,493,580	12,480,772	1,012,808
	<u>\$ 567,820,194</u>	<u>\$ 546,707,810</u>	<u>\$ 21,112,384</u>

General Fund Expenditures decreased \$21.1 million or 3.7% over fiscal year 2011. This decrease was primarily due to effective cost cutting and better budgeting control.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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### Budgeting

The 2011-2012 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 2010-2011 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.

### 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### 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.

### 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.

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

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

**JUNE 30, 2011**

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### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

#### **Net Assets**

The District's Entity-wide net assets at June 30, 2011 totaled \$509.4 million. Of this amount, \$483.5 million is the net investment in fixed assets; \$77.9 million is restricted for various purposes. The deficit in unrestricted fund balance of \$52.1 million is primarily due to the District's other postemployment benefits obligation.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the close of the year ended June 30, 2011, the District's fixed assets totaled \$1.3 billion. Accumulated depreciation was \$263.5 million at year end. Depreciation expense for the year totaled \$32.7 million. Net book value (the amount of total assets after applying depreciation) increased by \$84.3 million to \$1,007 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 \$788.6 million. Additions were \$66.4 million and reductions were \$67.7 million. At June 30, 2011, the ending balance was \$787.3 million. The significant items comprising the District's long-term debt are as follows: \$645.7 million of general obligation bonds, \$98.6 million of postemployment benefits, \$10.9 million of Certificates of Participation and \$19.8 million of capital leases. The annual debt service requirement on these latter two obligations approximates \$3.2 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 (of which \$4.4 million is outstanding as of June 30, 2011). 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### 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 2010-11 and currently projects that it will reach or exceed its minimum reserve in both FY 2011-12 and FY 2012-13.

In addition to the Revenue Limit income source, the District also received approximately \$288.6 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.

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 that the District is eligible for in 2011-12 is projected to be \$7.8 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 2011-2012 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.

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

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

**JUNE 30, 2011**

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### **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, 2011

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,136,252
Investments	373,339,442
Receivables	89,706,217
Prepaid expenses	2,588,337
Deferred charges	3,898,581
Stores inventories	619,341
Capital assets, net of accumulated depreciation	1,007,111,986
<b>Total assets</b>	<u>1,479,400,156</u>
<b>Liabilities</b>	
Overdrafts	22,563,611
Accounts payable	105,908,248
Interest payable	2,075,194
Deferred revenue	24,544,438
Claim liabilities	27,606,737
Current portion of long-term obligations	33,738,195
Noncurrent portion of long-term obligations	753,599,062
<b>Total liabilities</b>	<u>970,035,485</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	483,526,293
Restricted for:	
Legally restricted	31,992,278
Debt service	11,094,212
Capital projects	27,738,632
Self insurance	7,126,120
Unrestricted	(52,112,864)
<b>Total net assets</b>	<u>\$ 509,364,671</u>

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, 2011**

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	\$ 399,646,173	\$ 613,789	\$ 98,202,430	\$ 3,974,093	\$ (296,855,861)
Instruction related activities:					
Supervision of instruction	89,104,100	226,063	53,763,774	-	(35,114,263)
Instructional library and technology	7,956,026	73,635	1,171,433	-	(6,710,958)
School site administration	42,207,700	8,268	3,348,390	-	(38,851,042)
Pupil services:					
Home-to-school transportation	22,123,025	2,063	9,824,941	-	(12,296,021)
Food services	24,041,664	1,650,068	16,171,535	-	(6,220,061)
All other pupil services	48,760,800	118,556	16,242,499	-	(32,399,745)
General administration:					
Data processing	8,570,511	12,621	178,634	-	(8,379,256)
All other general administration	23,455,692	92,856	5,995,751	-	(17,367,085)
Plant services	70,695,760	48,693	1,360,588	-	(69,286,479)
Anciliary services	3,595,054	41,721	590,517	-	(2,962,816)
Enterprise services	4,032	54	762	-	(3,216)
Interest on long-term obligations	32,304,872	-	-	-	(32,304,872)
Other outgo	49,402,355	19,660	2,074,410	-	(47,308,285)
<b>Total governmental activities</b>	<b>\$ 821,867,764</b>	<b>\$ 2,908,047</b>	<b>\$ 208,925,664</b>	<b>\$ 3,974,093</b>	<b>(606,059,960)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					254,887,842
Property taxes, levied for debt service					47,377,919
Taxes levied for other specific purposes					60,820,687
Federal and state aid not restricted to specific purposes					111,391,312
Interest and investment earnings					3,717,644
Interagency revenue					40,863,435
Miscellaneous					60,786,124
<b>Subtotal, general revenues</b>					<b>579,844,963</b>
<b>Change in Net Assets</b>					<b>(26,214,997)</b>
Net assets - beginning					535,579,668
Net assets - ending					<b>\$ 509,364,671</b>

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2011**

	<b>General Fund</b>	<b>County School Service Fund</b>	<b>Building Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 1,417,633	\$ -	\$ -	\$ 33,128	\$ 1,450,761
Investments	117,435,752	-	170,980,656	49,829,773	338,246,181
Receivables	47,656,312	31,453,925	12,791	10,523,033	89,646,061
Prepaid expenditures	2,588,337	-	-	-	2,588,337
Stores inventories	593,442	-	-	25,899	619,341
<b>Total assets</b>	<b>\$169,691,476</b>	<b>\$ 31,453,925</b>	<b>\$170,993,447</b>	<b>\$ 60,411,833</b>	<b>\$432,550,681</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Overdrafts	\$ -	\$ 19,696,992	\$ -	\$ 2,866,619	\$ 22,563,611
Accounts payable	72,807,199	6,565,517	18,225,333	7,204,148	104,802,197
Deferred revenue	18,595,773	406,999	-	5,541,666	24,544,438
<b>Total liabilities</b>	<b>91,402,972</b>	<b>26,669,508</b>	<b>18,225,333</b>	<b>15,612,433</b>	<b>151,910,246</b>
<b>Fund Balances:</b>					
Nonspendable	3,182,279	-	-	51,450	3,233,729
Restricted	22,492,765	1,953,041	152,618,114	31,607,950	208,671,870
Committed	-	-	-	3,425,750	3,425,750
Assigned	1,606,155	-	150,000	9,714,250	11,470,405
Unassigned	51,007,305	2,831,376	-	-	53,838,681
<b>Total fund balances<sup>1</sup></b>	<b>78,288,504</b>	<b>4,784,417</b>	<b>152,768,114</b>	<b>44,799,400</b>	<b>280,640,435</b>
<b>Total liabilities and fund balances</b>	<b>\$169,691,476</b>	<b>\$ 31,453,925</b>	<b>\$170,993,447</b>	<b>\$ 60,411,833</b>	<b>\$432,550,681</b>

<sup>1</sup> Refer to Reconciliation of Statement of Net Assets in 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, 2011**

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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>		\$ 280,640,435
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	\$ 1,270,631,695	
Accumulated depreciation is	<u>(263,519,709)</u>	
Net Capital Assets		1,007,111,986
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		3,898,581
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.		(2,075,194)
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.		7,126,120
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	645,696,092	
Certificates of participation	10,860,000	
Capital leases payable	19,797,715	
Compensated absences (vacations)	6,145,198	
Arbitrage liability	1,859,609	
Excess revenue limit transfers	4,400,717	
Post employment liability	<u>98,577,926</u>	
		<u>(787,337,257)</u>
<b>Total net assets-governmental activities</b>		<u><u>\$ 509,364,671</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 BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	County School Service Fund	Building Fund	Nonmajor Government Funds	Total Government Funds
<b>REVENUES</b>					
Revenue limit sources	\$ 259,585,629	\$ 13,755,211	\$ -	\$ -	\$ 273,340,840
Federal sources	50,697,277	22,724,580	-	32,126,323	105,548,180
Other state sources	129,957,893	50,475,847	-	16,340,640	196,774,380
Other local sources	107,952,454	40,858,995	9,279,038	59,424,004	217,514,491
<b>Total Revenues</b>	<b>548,193,253</b>	<b>127,814,633</b>	<b>9,279,038</b>	<b>107,890,967</b>	<b>793,177,891</b>
<b>EXPENDITURES</b>					
Current					
Instruction	247,487,665	90,402,109	-	28,376,828	366,266,602
Instruction related activities:					
Supervision of instruction	71,233,341	7,075,978	-	3,124,367	81,433,686
Instructional library and technology	7,196,210	74,932	-	-	7,271,142
School site administration	33,615,609	909,329	-	4,049,365	38,574,303
Pupil Services:					
Home-to school transportation	8,033,576	12,185,016	-	-	20,218,592
Food services	11,230	-	-	21,960,838	21,972,068
All other pupil services	30,777,309	13,521,781	-	264,198	44,563,288
General administration:					
Data processing	7,346,495	486,234	-	-	7,832,729
All other general administration	19,126,927	1,613,633	-	2,782,317	23,522,877
Plant services	50,915,298	110,635	-	692,500	51,718,433
Facility acquisition and construction	3,415,638	-	119,631,873	8,000,247	131,047,758
Ancillary services	3,285,578	-	-	-	3,285,578
Other outgo	48,554,602	847,753	-	-	49,402,355
Enterprise services	3,685	-	-	-	3,685
Debt service					
Principal	1,100,179	-	-	26,988,193	28,088,372
Interest and other	2,123,696	-	-	32,267,178	34,390,874
<b>Total Expenditures</b>	<b>534,227,038</b>	<b>127,227,400</b>	<b>119,631,873</b>	<b>128,506,031</b>	<b>909,592,342</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>13,966,215</b>	<b>587,233</b>	<b>(110,352,835)</b>	<b>(20,615,064)</b>	<b>(116,414,451)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	277	12,481,048	12,481,325
Other sources	-	-	-	2,262,548	2,262,548
Transfers out	(12,480,772)	-	-	(553)	(12,481,325)
<b>Net Financing Sources (Uses)</b>	<b>(12,480,772)</b>	<b>-</b>	<b>277</b>	<b>14,743,043</b>	<b>2,262,548</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,485,443</b>	<b>587,233</b>	<b>(110,352,558)</b>	<b>(5,872,021)</b>	<b>(114,151,903)</b>
<b>Fund Balance - Beginning</b>	<b>76,803,061</b>	<b>4,197,185</b>	<b>263,120,672</b>	<b>50,671,421</b>	<b>394,792,339</b>
<b>Fund Balance - Ending<sup>1</sup></b>	<b>\$ 78,288,504</b>	<b>\$ 4,784,417</b>	<b>\$ 152,768,114</b>	<b>\$ 44,799,400</b>	<b>\$ 280,640,435</b>

<sup>1</sup> Refer to Reconciliation of Statement of Net Asset in 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, 2011

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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>		\$ (114,151,903)
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.		
This is the amount by which capitalized capital outlays exceed depreciation in the		
Capitalized capital outlays	\$ 116,941,901	
Depreciation expense	<u>(32,686,201)</u>	84,255,700
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.		938,193
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.		25,700,000
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).		(142,657)
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.		350,000
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)
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.		80,995

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, 2011**

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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.	27,542
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.	410,040
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.	(28,988,351)
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>2,893,471</u>
<b>Decrease in net assets of governmental activities</b>	<u><u>\$ (26,214,997)</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, 2011

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	<b>Governmental Activities: Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 35,778,752
Receivables	60,156
<b>Total current assets</b>	<u>35,838,908</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	1,106,051
Claim liability - workers' compensation	26,824,000
Claim liability - dental	782,737
<b>Total current liabilities</b>	<u>28,712,788</u>
<b>NET ASSETS</b>	<u><u>\$ 7,126,120</u></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, 2011

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	<b>Governmental Activities: Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 21,004,811
Cash payments for insurance claims	(17,332,411)
Cash payments to suppliers for goods and services	(522,148)
Cash payments for excess insurance premium	(114,410)
Net cash provided by operating activities	<u>3,035,842</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>454,825</u>
Net increase in cash and cash equivalents	3,490,667
Cash and cash equivalents - Beginning of year	32,288,085
Cash and cash equivalents - End of year	<u><u>\$ 35,778,752</u></u>
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating profit	\$ 2,425,512
Decrease in receivables	32,176
Increase in accrued liabilities	578,154
Net cash provided by operating activities	<u><u>\$ 3,035,842</u></u>

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

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

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	<u>Payroll Revolving Agency Fund</u>	<u>Student Body Agency Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 2,433,748	\$ 2,433,748
Investments	8,704,594	-	8,704,594
<b>Total assets</b>	<u>\$ 8,704,594</u>	<u>\$ 2,433,748</u>	<u>\$ 11,138,342</u>
<b>LIABILITIES</b>			
Salaries and benefits payable	\$ 8,704,594	\$ -	\$ 8,704,594
Due to student groups	-	2,433,748	2,433,748
<b>Total liabilities</b>	<u>\$ 8,704,594</u>	<u>\$ 2,433,748</u>	<u>\$ 11,138,342</u>

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

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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 73 elementary schools, 13 middle schools, 18 high schools, including 2 continuation schools, and 1 independent study alternative school. The District sponsors 12 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, 2011

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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, San Francisco Flex 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 and report all financial resources not accounted for and reported in another fund.

In addition, under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the uncommitted portion of Fund 14, Deferred Maintenance Fund does not currently meet the special revenue fund definition. Thus, this portion has been combined with the General Fund for financial statement presentation purposes. The remaining committed portion of Fund 14 is being shown in the special revenue fund category.

**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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

**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.

**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 Fund** 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 of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose. Only the committed portion of Deferred Maintenance resources is reflected in this fund.

**Debt Service Funds** The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**Capital Projects Funds** The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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.).

**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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**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.

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 balances 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**Fiduciary Funds** Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

**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, 2011 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, 2011

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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.

**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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**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 Balances - Governmental Funds**

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

**Unassigned** - all other spendable amounts.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

### **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 \$509,364,671 in net assets as of June 30, 2011. Of that amount, \$483,526,293 represents the District's investment in 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **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.

### **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.

### **Changes in Accounting Principles**

In March 2009, the GASB issued 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 initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

### **New Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 339,696,942	
Less: deficit cash (overdraft)	<u>(22,563,611)</u>	
Total Governmental funds		\$ 317,133,331
Self insurance fund		35,778,752
Fiduciary funds		<u>11,138,342</u>
Total Deposits and Investments		<u><u>\$ 364,050,425</u></u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks		\$ 4,570,000
Deposits with county treasurer	382,044,036	
Less: deficit cash (overdraft)	<u>(22,563,611)</u>	
Total Deposits with county treasurer		359,480,425
Total Deposits and Investments		<u><u>\$ 364,050,425</u></u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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, 2011

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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:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
County Investment Pool	\$ 359,480,425	\$ 360,542,144	2.04

### 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, 2011.

### 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, 2011, the District was not exposed to any significant custodial credit risk.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2011, 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	\$ 10,647,368	\$ 13,265,080	\$ -	\$ 2,997,851	\$ 26,910,299	\$ -
State Government						
Apportionment	10,794,545	14,179,777	-	-	24,974,322	-
Categorical aid	12,448,337	3,828,728	-	4,929,599	21,206,664	-
Lottery	3,507,030	180,340	-	-	3,687,370	-
Local Government						
Interest	102,640	-	12,491	34,137	149,268	34,312
Other Local Sources	10,156,392	-	300	2,561,446	12,718,138	25,844
Total	<u>\$ 47,656,312</u>	<u>\$ 31,453,925</u>	<u>\$ 12,791</u>	<u>\$ 10,523,033</u>	<u>\$ 89,646,061</u>	<u>\$ 60,156</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Balance June 30, 2011
<b>Governmental Activities *</b>			
Capital Assets being depreciated:			
Buildings and improvements	\$ 1,104,106,709	\$ 116,923,906	\$ 1,221,030,615
Furniture and equipment	49,583,085	17,995	49,601,080
Total Capital Assets being depreciated	<u>1,153,689,794</u>	<u>116,941,901</u>	<u>1,270,631,695</u>
Less Accumulated Depreciation:			
Buildings and improvements	203,235,896	30,893,027	234,128,923
Furniture and equipment	27,597,612	1,793,174	29,390,786
Total Accumulated Depreciation	<u>230,833,508</u>	<u>32,686,201</u>	<u>263,519,709</u>
Governmental Activities Capital Assets, Net	<u>\$ 922,856,286</u>	<u>\$ 84,255,700</u>	<u>\$ 1,007,111,986</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	\$ 17,690,463
Supervision of Instruction	4,065,156
Instructional Library & Media	362,974
School Site Administration	1,925,623
Home to School Transportation	1,009,309
Food Services	1,096,842
All Other Pupil Services	2,224,592
Anciliary Services	164,016
Enterprise Activities	184
All General Administration	1,174,258
Data Processing Services	391,009
Plant Services	2,581,775
Total Depreciation Expense, Governmental Activities	<u>\$ 32,686,201</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**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, 2011, consisted of the following:

Transfer Out	Transfer In		Total
	Building Fund	Non-major Governmental Funds	
General Fund	\$ -	\$ 12,480,772	\$ 12,480,772
Non-major Governmental Funds	277	276	553
Total	<u>\$ 277</u>	<u>\$ 12,481,048</u>	<u>\$ 12,481,325</u>

The General fund transferred to the Child Development fund to cover the operating deficit.	\$ 5,882,410
The General fund transferred to the Cafeteria fund to cover the operating deficit.	3,109,227
The General fund transferred to the Special Reserve fund - Capital for lease payments.	2,214,996
The General fund transferred to the Debt Service fund for COP principal and interest payments.	874,139
The General fund transferred to the Deferred Maintenance fund for maintenance projects.	400,000
The Deferred Maintenance fund transferred to Building fund for prior year expenditures reclassified.	277
The Deferred Maintenance fund transferred to Capital Facilities fund for prior year expenditures reclassified.	276
Total	<u>\$ 12,481,325</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	County School Service	Building	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 15,725,954	\$ 4,937,527	\$18,225,333	\$ 2,051,380	\$ 40,940,194	\$ 1,106,051
State apportionment	51,542,810	1,524,043	-	-	53,066,853	-
State categorical payables	2,546,469	63,947	-	-	2,610,416	-
Federal categorical payables	2,417,578	40,000	-	5,117,402	7,574,980	-
Interest payable	574,388	-	-	35,366	609,754	-
Total	<u>\$ 72,807,199</u>	<u>\$ 6,565,517</u>	<u>\$18,225,333</u>	<u>\$ 7,204,148</u>	<u>\$ 104,802,197</u>	<u>\$ 1,106,051</u>

Additional interest payable in the Statement of Net Assets includes \$2,075,194 for accrued interest on long term obligations.

**NOTE 7 – DEFERRED REVENUE**

Deferred revenue at June 30, 2011, consists of the following:

	General	County School Service	Nonmajor Funds	Total
Federal financial assistance	\$ 17,076,422	\$ 283,730	\$ 789,873	\$ 18,150,025
State categorical aid	1,425,881	123,269	22,596	1,571,746
Other local	93,470	-	4,729,197	4,822,667
Total	<u>\$ 18,595,773</u>	<u>\$ 406,999</u>	<u>\$ 5,541,666</u>	<u>\$ 24,544,438</u>

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

At July 1, 2010, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$79,500,000, which matured on June 30, 2011.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2010	Additions	Payments	Outstanding June 30, 2011
7/1/2010	2.00%	6/30/2011	<u>\$ 79,500,000</u>	<u>\$ -</u>	<u>\$ 79,500,000</u>	<u>\$ -</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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, 2010	Additions	Deductions	Balance June 30, 2011	Due in one year
General obligation bonds	\$ 643,490,000	\$ -	\$ 25,700,000	\$ 617,790,000	\$ 29,365,000
Bond premium	29,749,215	-	1,843,123	27,906,092	1,843,123
Certificates of participation	11,210,000	-	350,000	10,860,000	365,000
Accumulated vacation - net	6,002,541	142,657	-	6,145,198	-
Capital leases	20,735,908	-	938,193	19,797,715	1,064,893
Revenue limit deficit	5,500,896	-	1,100,179	4,400,717	1,100,179
Arbitrage liability	1,887,151	-	27,542	1,859,609	-
Post employment liability	69,589,575	66,296,235	37,307,884	98,577,926	-
CalSTRS liability	410,040	-	410,040	-	-
	<u>\$ 788,575,326</u>	<u>\$ 66,438,892</u>	<u>\$ 67,676,961</u>	<u>\$ 787,337,257</u>	<u>\$ 33,738,195</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 COP Debt Service Fund. The COP 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 have been made by the General Fund.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding June 30, 2010	Issued	Redeemed	Outstanding June 30, 2011
11/20/03	6/15/24	3.90%	\$ 58,000,000	\$ 44,940,000	\$ -	\$ 2,475,000	\$ 42,465,000
10/12/05	6/10/25	3.00-5.00%	130,000,000	107,880,000	-	5,080,000	102,800,000
10/12/06	6/15/26	4.00-5.00%	92,000,000	79,745,000	-	3,545,000	76,200,000
2/28/07	6/15/27	3.00-5.00%	100,000,000	90,925,000	-	3,665,000	87,260,000
1/22/09	6/15/27	1.50% -5.25%	150,000,000	135,000,000	-	7,215,000	127,785,000
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	-	3,720,000	95,955,000
			<u>\$ 715,000,000</u>	<u>\$643,490,000</u>	<u>\$ -</u>	<u>\$ 25,700,000</u>	617,790,000
					Unamortized bond premium		27,906,092
						Total	<u>\$ 645,696,092</u>

### Debt Service Requirement to Maturity

Fiscal Year	Principal	Interest to Maturity	Total
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	34,620,000	24,029,777	58,649,777
2017-2021	197,900,000	94,205,152	292,105,152
2022-2026	202,095,000	42,435,165	244,530,165
2027-2030	58,795,000	7,567,375	66,362,375
Total	<u>\$ 617,790,000</u>	<u>\$ 278,189,833</u>	<u>\$ 895,979,833</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Certificates of Participation

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, 2011, the principal balance outstanding was \$10,860,000.

The Certificates of Participation mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	440,000	431,063	871,063
2017-2021	2,530,000	1,664,027	4,194,027
2022-2026	3,190,000	1,137,386	4,327,386
2027-2030	3,135,000	306,494	3,441,494
Total	<u>\$ 10,860,000</u>	<u>\$ 5,458,090</u>	<u>\$ 16,318,090</u>

### Accumulated Unpaid Employee Vacation and Vested Sick Leave

Full-time District employees are entitled to 10-20 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, 2011. 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, 2011**

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### Capital Leases

The District has recorded capital assets in the amount of \$32,947,132 and corresponding accumulated depreciation of \$15,814,623 at June 30, 2011. The District's liabilities on lease agreements with options to purchase are summarized below:

	Energy Retrofit
Balance, Beginning of Year	\$ 29,952,600
Payments	(2,214,996)
Balance, End of Year	<u>\$ 27,737,604</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2012	\$ 2,281,446
2013	2,349,890
2014	2,420,386
2015	2,492,998
2016	2,567,788
2017-2021	14,041,626
2022	<u>1,583,470</u>
Total	27,737,604
Less: Amount Representing Interest	7,939,889
Present Value of Minimum Lease Payments	<u>\$ 19,797,715</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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, 2011, the principal balance outstanding for the District was \$4,400,717. 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
2012	\$ 1,100,179
2013	1,100,179
2014	1,100,179
2015	1,100,180
Total	<u>\$ 4,400,717</u>

### 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, 2011, there is no short-term liability due within one year. At June 30, 2011, the amount of long term arbitrage rebate liability was \$1,859,609.

### 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. The CalSTRS liability was paid off in the current fiscal year and no balance was outstanding as of June 30, 2011.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 10 – FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	County School Service Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 500	\$ -	\$ -	\$ 25,551	\$ 26,051
Stores inventories	593,442	-	-	-	593,442
Prepaid expenditures	2,588,337	-	-	25,899	2,614,236
Total Nonspendable	<u>3,182,279</u>	<u>-</u>	<u>-</u>	<u>51,450</u>	<u>3,233,729</u>
<b>Restricted</b>					
Legally restricted programs	22,492,765	1,953,041	-	414,162	24,859,968
Capital projects	-	-	152,618,114	18,024,382	170,642,496
Debt services	-	-	-	13,169,406	13,169,406
Total Restricted	<u>22,492,765</u>	<u>1,953,041</u>	<u>152,618,114</u>	<u>31,607,950</u>	<u>208,671,870</u>
<b>Committed</b>					
Deferred maintenance program	-	-	-	3,425,750	3,425,750
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,425,750</u>	<u>3,425,750</u>
<b>Assigned</b>					
Tier III Commitment	1,606,155	-	-	-	1,606,155
Future arbitrage payment	-	-	150,000	-	150,000
SOTA reserves	-	-	-	9,714,250	9,714,250
Total Assigned	<u>1,606,155</u>	<u>-</u>	<u>150,000</u>	<u>9,714,250</u>	<u>11,470,405</u>
<b>Unassigned</b>					
Reserve for economic uncertainties	10,722,264	2,508,600	-	-	13,230,864
Remaining unassigned	40,285,041	322,776	-	-	40,607,817
Total Unassigned	<u>51,007,305</u>	<u>2,831,376</u>	<u>-</u>	<u>-</u>	<u>53,838,681</u>
Total	<u>\$ 78,288,504</u>	<u>\$ 4,784,417</u>	<u>\$ 152,768,114</u>	<u>\$ 44,799,400</u>	<u>\$ 280,640,435</u>

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

Balance per Governmental Fund Balance Sheet	\$ 51,007,305
Add Back:	
Tier III assigned balance	1,606,155
County school service unassigned fund balance	2,831,376
Deferred maintenance program committed fund balance	3,425,750
Deduct:	
Compensated absences liability	(6,145,198)
Revenue limit deficit	(4,400,717)
Arbitrage liability	(1,859,609)
Other post-employment benefits liability	(98,577,926)
Balance per Statement of Net Assets	<u>\$ (52,112,864)</u>

### 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
2012	\$ 3,490,212
2013	3,185,504
2014	3,184,304
2015	3,184,304
2016	2,896,844
Thereafter	77,523,440
Total	<u>\$ 93,464,608</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 5,030 retirees and their beneficiaries currently receiving benefits and 6,833 active plan members. 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### 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 2010-2011, the District contributed \$34,225,547 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.

### 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:

Annual required contribution	\$ 62,816,756
Interest on net accrued OPEB asset/obligation	3,479,479
Adjustment to annual required contribution	(3,082,337)
Annual OPEB cost (expense)	<u>63,213,898</u>
Contributions made	<u>(34,225,547)</u>
Increase in net OPEB obligation	28,988,351
Net OPEB obligation, beginning of year	<u>69,589,575</u>
Net OPEB obligation, end of year	<u><u>\$ 98,577,926</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 was as follows:

Year Ended June 30,	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
2011	\$ 63,213,898	54%	\$ 98,577,926

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

### 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)
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%
December 1, 2011	-	\$ 736,931,483	\$ 736,931,483	0.00%	\$ 396,102,456	186%

### 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 December 8, 2011, actuarial valuation as of December 1, 2011, 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, 2011, was 26 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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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 worker’s compensation are based on a current actuarial study using the “expected value” as the basis for the total liability. The worker’s compensation liabilities are reported at an undiscounted basis. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2011:

	Workers' Compensation	Dental	Total
Liability Balance, July 1, 2009	\$ 26,824,000	\$ 482,157	\$ 27,306,157
Claims and changes in estimates	4,135,353	6,951,829	11,087,182
Claims payments	(4,135,353)	(6,786,145)	(10,921,498)
Liability Balance, June 30, 2010	26,824,000	647,841	27,471,841
Claims and changes in estimates	5,287,824	6,945,976	12,233,800
Claims payments	(5,287,824)	(6,811,080)	(12,098,904)
Liability Balance, June 30, 2011	<u>\$ 26,824,000</u>	<u>\$ 782,737</u>	<u>\$ 27,606,737</u>
Assets available to pay claims at June 30, 2011			<u>\$ 34,732,857</u>

**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).

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 2010-2011 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, 2011, 2010 and 2009 were \$22,990,582, \$24,239,282, and \$22,714,691, 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.

#### 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, 2011 was 13.56% of covered payroll.

During the years ended June 30, 2011, 2010, and 2009 the District's contributions were \$12,749,635, \$10,484,730, and \$7,198,128, respectively, and equal 100 percent of the required contributions for each year.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 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, 2010. The significant actuarial assumptions used in the 2010 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 4.0 percent.

Information regarding the pension benefit obligation of SFERS for the year ended June 30, 2010 is based on the 2010 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, 2010 (in millions) were \$17,643 and \$16,069, respectively. The underfunded liability (in millions) and funded ratio were \$1,574 and 91.1 percent, respectively. The underfunded amount represented 65.6 percent of the total covered payroll (in millions) of \$2,398 for the 2010 valuation year.

### Historical Trend Information

Ten year trend information for the years ended June 30, 2001 through 2010 is as follows (Dollars in millions):

	2010*	2009	2008	2007	2006	2005	2004	2003	2002	2001
Actuarial value of assets available for benefit payments	\$ 16,069	\$ 16,005	\$ 15,941	\$ 14,929	\$ 13,598	\$ 12,660	\$ 11,300	\$ 11,174	\$ 11,102	\$ 10,797
Actuarial accrued liability - entry age	17,643	16,499	15,359	13,541	12,515	11,766	10,885	10,250	9,416	8,372
Underfunded (overfunded) actuarial accrued liability	1,574	494	(582)	(1,388)	(1,083)	(894)	(415)	(924)	(1,686)	(2,425)
Funded ratio (actuarial value of assets as a percentage of actuarial accrued liability)	91.1%	97.0%	103.8%	110.3%	108.7%	107.6%	103.8%	109.0%	117.9%	129.0%
Covered payroll	\$ 2,398	\$ 2,545	\$ 2,457	\$ 2,376	\$ 2,177	\$ 2,053	\$ 2,155	\$ 2,130	\$ 2,019	\$ 1,858
Underfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	65.6%	19.4%	-23.7%	-58.4%	-49.7%	-43.5%	-19.3%	-43.4%	-83.5%	-130.5%
Annual required employer contribution made in accordance with actuarially determined requirements	\$ 325	\$ 241	\$ 123	\$ 140	\$ 136	\$ 135	\$ 97	\$ -	\$ -	\$ -

\* Most recent information available.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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, 2011, 2010 and 2009 the District made contributions of \$70,573, \$106,870, and \$62,906 respectively.

#### 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, 2011, 2010, and 2009 the District's contribution was \$2,172,826, \$2,274,402, and \$2,202,892.

#### 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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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:

Fiscal Year	Percent of Annual Payroll	General	County School	Child Development	Total State Contribution
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
2010-11	4.267	\$ 9,494,414	\$ 1,797,408	\$ 597,359	\$ 11,889,181

### 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, 2011.

#### 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 is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### Construction Commitments:

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

Capital Project Site	Remaining Construction Commitment	Expected Date of Completion
Abraham Lincoln High School	\$ 49,000	8/22/2011
Alvarado Elementary School	653,168	9/13/2011
Aptos Middle School	364,175	10/9/2011
Argonne Elementary School	19,950	9/1/2011
Balboa High School	3,097	7/15/2011
Bryant Elementary School	111,047	8/22/2011
Chinese Immersion School at DeAvila	4,567,990	1/29/2012
Cleveland Elementary School	129,842	10/12/2011
District Administration Office	76,949	9/4/2011
Downtown High School/ISA	537,775	8/31/2011
Dr. Charles Drew Elementary School	160,682	9/9/2011
Dr. Martin Luther King Middle School	1,676,871	8/14/2011
Dr. William Cobb Elementary School	1,892,971	10/31/2011
Edison Charter	1,467,662	11/7/2011
El Dorado Elementary School	95,200	9/1/2011
Francis Scott Key Elementary School	5,044,112	7/4/2012
Francisco Middle School	10,358,633	9/4/2012
Garfield Elementary School	36,859	8/22/2011
Gateway/KIPP Charter Schools	3,367,690	11/3/2011
George Washington High School	167,632	9/1/2011
Glen Park Elementary School	698,567	8/29/2011
Golden Gate Elementary School	7,932,668	10/10/2012
Grattan Elementary School	47,088	8/28/2011
Guadalupe Elementary School	6,373,000	7/29/2012
Herbert Hoover Middle School	2,870,379	1/30/2012
Hilltop High School/RAP	9,034,329	10/28/2012
Ida B. Wells High School	46,348	8/23/2011
Independence High School	49,500	9/1/2011
International Studies Academy	3,036,959	8/5/2011
Jefferson Elementary School - Greening	15,089	9/3/2011
John O'Connell High School	795,056	9/23/2011
John Swett	8,404,765	8/21/2012
Junipero Serra Elementary School	155,730	8/14/2011
Leonard Flynn	63,994	8/24/2011
Lowell High School	841,136	9/19/2011

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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Capital Project Site	Remaining Construction Commitment	Expected Date of Completion
Luther Burbank Middle School	348,067	8/20/2011
Marshall Elementary School - Greening	47,360	9/3/2011
Miraloma Elementary School	154,915	7/11/2011
Mission Ed Center / Kate Kennedy - Greening	64,697	8/27/2011
Newcomer High School (7th Ave)	4,735,502	12/5/2011
Newcomer High School (Jackson St.)	3,695,470	5/31/2012
Presidio Child Development Center	1,823,350	3/18/2012
Raoul Wallenberg High School	343,410	8/28/2011
Rosa Parks Elementary School	87,485	9/1/2011
Sanchez Elementary School - Greening	25,929	9/3/2011
Sota High School	102,115	8/27/2011
Spring Valley Elementary School	290,000	8/13/2011
Sunnyside Elementary School	30,233	8/24/2011
Sunset Elementary School - Greening	44,576	8/27/2011
Ulloa Elementary School	17,000	8/27/2011
West Portal	20,527	9/1/2011
Total modernization at various sites	<u>\$ 82,976,549</u>	

### 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 \$80,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on June 29, 2012, 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, 2012, until 100 percent of principal and interest is due on account by April 30, 2012.

On November 8, 2011 an election was held where the voters of San Francisco approved a new bond measure under Proposition A. The new bond measure authorizes the District to issue and sell general obligation bonds not to exceed \$531,000,000 for the purpose of renovating existing school facilities.

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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, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variations - Favorable (Unfavorable)
	Original	Final		Final to Actual
<b>Revenues:</b>				
Revenue limit sources	\$ 242,188,548	\$ 255,525,471	\$ 259,585,629	\$ 4,060,158
Federal sources	43,139,502	83,500,146	50,697,277	(32,802,869)
Other state sources	114,257,722	118,939,112	129,957,893	11,018,781
Other local sources	110,886,634	106,050,000	107,952,454	1,902,454
<b>TOTAL REVENUES<sup>1</sup></b>	<b>510,472,406</b>	<b>564,014,729</b>	<b>548,193,253</b>	<b>(15,821,476)</b>
<b>Expenditures</b>				
Certificated salaries	220,939,559	244,735,000	227,157,518	17,577,482
Classified salaries	71,736,013	73,000,000	67,271,209	5,728,791
Employee benefits	117,306,962	113,062,975	119,020,422	(5,957,447)
Books and supplies	13,312,969	18,600,000	17,290,596	1,309,404
Services and operating expenditures	57,659,527	58,700,000	55,770,719	2,929,281
Other outgo	43,192,070	44,988,115	45,772,289	(784,174)
Capital outlay	902,580	462,030	844,106	(382,076)
Debt service - principal	-	-	1,100,179	(1,100,179)
<b>TOTAL EXPENDITURES<sup>1</sup></b>	<b>525,049,680</b>	<b>553,548,120</b>	<b>534,227,038</b>	<b>19,321,082</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(14,577,274)</b>	<b>10,466,609</b>	<b>13,966,215</b>	<b>3,499,606</b>
<b>Other Financing Uses:</b>				
Transfers out	(13,201,130)	(14,576,174)	(12,480,772)	2,095,402
<b>NET CHANGE IN FUND BALANCES</b>	<b>(27,778,404)</b>	<b>(4,109,565)</b>	<b>1,485,443</b>	<b>5,595,008</b>
Fund balance - Beginning	76,803,061	76,803,061	76,803,061	-
Fund balance - Ending	<b>\$ 49,024,657</b>	<b>\$ 72,693,496</b>	<b>\$ 78,288,504</b>	<b>\$ 5,595,008</b>

<sup>1</sup> On behalf payments of \$9,494,414 are included in the actual Other State Sources and Employee Benefits, 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, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Favorable (Unfavorable)
	Original	Final		Final to Actual
<b>Revenues:</b>				
Revenue limit sources	\$ 13,147,972	\$ 13,787,262	\$ 13,755,211	\$ (32,051)
Federal sources	23,176,540	24,081,499	22,724,580	(1,356,919)
Other state sources	45,044,093	44,926,695	50,475,847	5,549,152
Other local sources	41,858,606	43,427,117	40,858,995	(2,568,122)
<b>TOTAL REVENUES<sup>1</sup></b>	<b>123,227,211</b>	<b>126,222,573</b>	<b>127,814,633</b>	<b>1,592,060</b>
<b>Expenditures</b>				
Current				
Certificated salaries	41,989,543	42,058,933	43,003,682	(944,749)
Classified salaries	22,846,109	22,967,658	23,554,775	(587,117)
Employee benefits	26,918,022	26,996,505	27,432,471	(435,966)
Books and supplies	1,245,218	2,069,846	1,629,977	439,869
Services and operating expenditures	29,251,889	29,848,165	30,758,742	(910,577)
Other outgo	1,539,360	1,695,505	847,753	847,752
<b>TOTAL EXPENDITURES<sup>1</sup></b>	<b>123,790,141</b>	<b>125,636,612</b>	<b>127,227,400</b>	<b>(1,590,788)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(562,930)</b>	<b>585,961</b>	<b>587,233</b>	<b>1,272</b>
Fund balance - Beginning	4,197,185	4,197,185	4,197,185	-
Fund balance - Ending	\$ 3,634,255	\$ 4,783,146	\$ 4,784,417	\$ 1,271

<sup>1</sup> On behalf payments of \$1,797,408 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, 2011

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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)
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%
December 1, 2011	-	\$ 736,931,483	\$ 736,931,483	0.00%	\$ 396,102,456	186%

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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, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Mentoring for Success - Foster Youth	16.000	2	\$ 163,507
Mentoring for Success - Student mentor program for Gang Prevention	16.000	2	75,655
Total Department of Justice			<u>239,162</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Alcohol Abuse Reduction	84.184A	2	323,468
Safe Schools - Healthy Students Initiative	84.184L	2	2,016,060
Elementary and Secondary School Counseling Programs	84.215E	2	230,617
Mentoring Grants	84.184B	2	160,842
Readiness and Emergency Management for Schools	84.184E	2	255,061
Foreign Language Assistance	84.293B	2	548,111
Fund for the Improvement of Education-Programs of National Significance	84.215K	2	172,895
Tech Assistance for Student Assignments	84.004F	2	158,033
Carol M. White Physical Education Program	84.215F	2	230,372
Indian Education	84.060	10011	25,516
Passed through California Department of Education:			
ARRA - State Fiscal Stabilization Fund	84.394	24997	6,594,701
Education Jobs Fund	84.410	25152	712,198
Carl D. Perkins Career and Technical Education, Section 203	84.243	14899	94,291
Carl D. Perkins Career and Technical Education, Section 131	84.048	14894	356,728
No Child Left Behind			
Title I			
Part A, Basic Grants Low Income and Neglected School Wide Plan	84.010	14329	10,279,426
ARRA - Part A, Basic Grants Low Income and Neglected	84.010	10003	3,619,519
Part B, Reading First Program	84.389	15005	5,350,494
Part B, Reading First, Special Education Teacher Professional Development Pilot Program	84.357	14328	97,899
Part C, Migrant Ed (Regular and Summer Program)	84.357	14911	341,793
Title I, Migrant Ed Summer Program	84.011	14326	152,174
School Improvement Grant	84.011	10005	58,919
ARRA - School Improvement Grant	84.377	15127	1,225,819
	84.377	15004	5,390,871

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Part D, Local Delinquent Programs	84.010	14357	621,515
ARRA - Part D, Local Delinquent Programs	84.389	15009	196,088
Title II			
Part A, Teacher Quality	84.367	14341	3,197,565
Part A, Administrator Training	84.367	14344	12,068
Part B, CA Mathematics and Science Partnership	84.366	14512	825,950
Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	35,251
Part D, Enhancing Education Through Technology, Competitive Grants, Formula Grants	84.318	14368	339,438
ARRA - Part D, Enhancing Education Through Technology	84.386	15019	197,971
ARRA - Part D, Enhancing Education Through Technology, Competitive Grants	84.318	15126	646,339
Title III			
Immigrant Education Program	84.365	15146	303,247
Limited English Proficient Student Program	84.365	14346	1,411,079
Title IV			
Part A, Drug-Free Schools	84.186	14347	72,658
Part A, Safe & Drug-Free Schools and Communities	84.186	14378	325
Part B, 21st Century Community Learning Centers	84.287	14349	5,362,142
Part B, 21st CCLC Program Technical Assistance	84.287	14350	27,613
Title V			
Part A, Innovative Education Strategies	84.298A	14354	85,612
Title X			
McKinney-Vento Homeless Assistance Grants	84.196	14332	69,091
Special Education - IDEA			
Part B, Sec 619, Preschool Grants	84.173	13430	335,227
ARRA - Part B, Section 619, Preschool Grants	84.392	15000	115,774
Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	11,593,086
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	539,809
ARRA - Part B, Section 611, Basic Local Assistance Entitlement	84.391	15003	6,590,200
ARRA - Part B, Section 611, Preschool Local Entitlement	84.391	15002	207,298
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	847,753
Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,564
Early Intervention Grants	84.181	23761	154,142

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed through California Department of Rehabilitation: Workability II, Transition Partnership	84.158	10006	87,098
Passed through University of California: Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	10088	<u>1,882,314</u>
Total U.S. Department of Education			<u>74,155,024</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Junior ROTC	12.000	2	<u>524,674</u>
Total U.S. Department of Defense			<u>524,674</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Care Food Program - Centers and Family Day Homes (Meal Reimbursement)	10.558	13393	1,703,144
Commodity Supplemental Food Program <sup>3</sup>	10.565	13391	416,852
Passed through California Department of Education:			
Fresh Fruit and Vegetable Program	10.582	14968	7,003
Basic School Breakfast Program	10.553	13390	22,548
Especially Needy Breakfast Program	10.553	13526	1,535,267
Special Milk Program for Children	10.556	13527	701,746
National School Lunch Program	10.555	13391/13396	9,228,521
Equipment Assistance Grants	10.579	14906	62,791
ARRA - Equipment Assistance Grants	10.579	15006	167
Passed through California Department of Public Health: Supplemental Nutrition Assistance Program	10.561	2	<u>1,488,403</u>
Total U.S. Department of Agriculture			<u>15,166,442</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Indoor Air Quality Tools for Schools Program	66.000	N/A	<u>19,000</u>
Total Environmental Protection Agency			<u>19,000</u>

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed through California Department of Education:			
Learn and Serve America	94.004	13161	75,240
Total Corporation for National and Community Service			<u>75,240</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
Marine Sanctuary Program	11.429	<sup>2</sup>	20,776
Total U.S. Department of Commerce			<u>20,776</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Education:			
Federal Child Care, Center-based	93.596	13609	6,438,731
ARRA - Federal Child Care, Center-based	93.713	15013	10,000,000
ARRA - Federal Child Care, Center-based	93.713	15010	378
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	1,595,254
Project Good	93.243	N/A	37,291
Head Start	93.600	10016	670,765
Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	<sup>2</sup>	464,268
Total U.S. Department of Health and Human Services			<u>19,206,687</u>
Total Federal Grants			<u><u>\$ 109,407,005</u></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, 2011

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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 73 elementary schools, 13 middle schools, 18 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
Hydra B. Mendoza	President	2015
Norman Yee	Vice President	2013
Sandra Lee Fewer	Member	2013
Kim-Shree Maufas	Member	2015
Emily M. Murase, Ph. D	Member	2015
Rachel Norton	Member	2013
Jill Wynns	Member	2013

### ADMINISTRATION

Carlos Garcia	Superintendent of Schools
Myong Leigh	Deputy Superintendent, Policy & Operations
Richard Carranza	Deputy Superintendent, Instruction, Innovation & Social Justice
Carla Bryant	Chief of Early Childhood Education
Roger Buschmann	Chief Human Resources Officer
Veronica Chavez	Assistant Superintendent of Superintendent Zone
Margaret Chiu	Assistant Superintendent of Superintendent Zone
DeeDee Desmond	Associate Superintendent, Academic & Professional Development
Cecelia Dodge	Assistant Superintendent, Special Education
David Goldin	Chief Facilities Officer
Patricia Gray	Assistant Superintendent of Superintendent Zone
Joseph Grazioli	Chief Financial Officer
Guadalupe Guerrero	Assistant Superintendent of Superintendent Zone
Nur Jehan Khalique	Assistant Superintendent of Superintendent Zone
Matthew McKenzie	Chief Technology Officer
Maribel Medina	General Counsel
Jeannie Pon	Assistant Superintendent of Superintendent Zone
Janet Schulze	Assistant Superintendent of Superintendent Zone
Kevin Truitt	Associate Superintendent, Student Support Services

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

	Amended * Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	4,307	4,314
First through third	12,319	12,332
Fourth through sixth	10,541	10,547
Seventh and eighth	6,694	6,706
Home and hospital	11	11
County community school	6	9
Juvenile hall	8	9
Special education	1,127	1,136
Nonpublic/ Nonsectarian schools	38	41
Total Elementary	35,051	35,105
<b>SECONDARY</b>		
Regular classes	14,629	14,565
Continuation education	350	335
Home and hospital	6	6
County community school	161	156
Juvenile hall	128	120
Special education	746	745
Nonpublic/ nonsectarian schools	164	179
Total Secondary	16,184	16,106
Grand Total	51,235	51,211

\* District amended report on July 2011.

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2011**

<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>2010-11 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	32,014	31,125	36,000	35,000	42,240	176	Complied
Grades 1 - 3							
Grade 1	45,755	44,484	50,400	49,000	49,360	176	Complied
Grade 2	45,755	44,484	50,400	49,000	49,360	176	Complied
Grade 3	45,755	44,484	50,400	49,000	49,360	176	Complied
Grades 4 - 6							
Grade 4	48,788	47,433	54,000	52,500	52,825	176	Complied
Grade 5	48,788	47,433	54,000	52,500	52,825	176	Complied
Grade 6	48,788	47,433	54,000	52,500	56,320	176	Complied
Grades 7 - 8							
Grade 7	57,525	55,927	54,000	52,500	56,320	176	Complied
Grade 8	57,525	55,927	54,000	52,500	56,320	176	Complied
Grades 9 - 12							
Grade 9	58,458	56,834	64,800	63,000	63,430	176	Complied
Grade 10	58,458	56,834	64,800	63,000	63,430	176	Complied
Grade 11	58,458	56,834	64,800	63,000	63,430	176	Complied
Grade 12	58,458	56,834	64,800	63,000	63,430	176	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, 2011**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

	(Budget) 2012 <sup>1</sup>	2011	2010	2009
<b>GENERAL FUND</b>				
Revenues	\$ 538,377,867	\$ 548,193,253	\$ 546,770,391	\$ 584,500,267
Other sources and transfers in	-	-	-	1,000,000
Total Revenues and Other Sources	538,377,867	548,193,253	546,770,391	585,500,267
Expenditures	546,853,121	534,227,038	554,326,614	540,732,947
Other uses and transfers out	13,981,501	12,480,772	13,493,580	9,351,669
Total Expenditures and Other Uses	560,834,622	546,707,810	567,820,194	550,084,616
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	<b>\$ (22,456,755)</b>	<b>\$ 1,485,443</b>	<b>\$ (21,049,803)</b>	<b>\$ 35,415,651</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 55,831,749</b>	<b>\$ 78,288,504</b>	<b>\$ 76,803,061</b>	<b>\$ 97,852,864</b>
<b>AVAILABLE RESERVES</b>	<b>\$ 44,293,372</b>	<b>\$ 51,007,305</b>	<b>\$ 13,490,846</b>	<b>\$ 15,379,993</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<b>7.90%</b>	<b>9.49%</b>	<b>2.42%</b>	<b>2.85%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>\$ 753,599,062</b>	<b>787,337,257</b>	<b>\$ 788,575,326</b>	<b>\$ 603,674,414</b>
<b>AVERAGE DAILY ATTENDANCE AT P-2<sup>2</sup></b>	<b>51,020</b>	<b>51,235</b>	<b>51,057</b>	<b>50,760</b>

The General Fund balance has decreased by \$19,564,360 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$22,456,755, or 28.68 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 2011-2012 fiscal year. Total long-term liabilities have increased by \$183,662,843 over the past two years. The primary reason for the increase in long-term liabilities is due to the issuance of general obligation bonds of \$185,000,000 in May 2010.

Average daily attendance has increased by 475 over the past two years. A decrease of 215 ADA is anticipated during fiscal year 2011-2012.

Available reserves increased by \$37,516,459 in the current year. However, \$22,000,000 of the increase relates to a fund balance designation in 2010 for COLA deficits, which was not counted as part of available reserves in 2010. This designation was rolled into the overall economic uncertainties designation in 2011, thus increasing available reserves in 2011 by \$22,000,000. The actual increase in available reserves in 2011, net of this designation change, was \$15,516,459.

<sup>1</sup> Budget 2012 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.

<sup>3</sup> On behalf payments of \$9,494,414, \$10,148,774, and \$9,998,483, have been excluded from the calculation of available reserves percentage for fiscal years ending June 30, 2011, 2010 and 2009.

See accompanying note to supplementary information.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2011

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

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011**

	<b>Special Revenue Funds</b>			
	<b>Child Development</b>	<b>Cafeteria</b>	<b>Deferred Maintenance</b>	<b>Capital Facilities</b>
<b>ASSETS</b>				
Cash	\$ -	\$ 25,551	\$ 7,577	\$ -
Investments	-	-	4,056,978	19,923,585
Receivables	6,673,267	3,272,908	3,967	562,201
Stores inventories	-	25,899	-	-
<b>Total assets</b>	<b>\$ 6,673,267</b>	<b>\$ 3,324,358</b>	<b>\$ 4,068,522</b>	<b>\$ 20,485,786</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Overdrafts	\$ 63,210	\$ 2,803,409	\$ -	\$ -
Accounts payable	5,413,636	439,289	642,772	673,085
Deferred revenue	788,984	23,485	-	-
<b>Total liabilities</b>	<b>6,265,830</b>	<b>3,266,183</b>	<b>642,772</b>	<b>673,085</b>
<b>Fund Balances:</b>				
Nonspendable	-	51,450	-	-
Restricted	407,437	6,725	-	10,098,451
Committed	-	-	3,425,750	-
Assigned	-	-	-	9,714,250
<b>Total fund balances</b>	<b>407,437</b>	<b>58,175</b>	<b>3,425,750</b>	<b>19,812,701</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,673,267</b>	<b>\$ 3,324,358</b>	<b>\$ 4,068,522</b>	<b>\$ 20,485,786</b>

See accompanying note to supplementary information.

Capital Project Funds			Debt Service Funds			Total
State School Building	County School Facilities	Special Reserve Capital Outlay	Bond Interest and Redemption	Tax Override	COP Debt Service	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,128
5,141,063	5,791,772	1,711,603	13,171,503	33,269	-	49,829,773
5,027	5,663	-	-	-	-	10,523,033
-	-	-	-	-	-	25,899
<u>\$ 5,146,090</u>	<u>\$ 5,797,435</u>	<u>\$ 1,711,603</u>	<u>\$ 13,171,503</u>	<u>\$ 33,269</u>	<u>\$ -</u>	<u>\$ 60,411,833</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,866,619
-	-	-	35,366	-	-	7,204,148
4,729,197	-	-	-	-	-	5,541,666
<u>4,729,197</u>	<u>-</u>	<u>-</u>	<u>35,366</u>	<u>-</u>	<u>-</u>	<u>15,612,433</u>
-	-	-	-	-	-	51,450
416,893	5,797,435	1,711,603	13,136,137	33,269	-	31,607,950
-	-	-	-	-	-	3,425,750
-	-	-	-	-	-	9,714,250
<u>416,893</u>	<u>5,797,435</u>	<u>1,711,603</u>	<u>13,136,137</u>	<u>33,269</u>	<u>-</u>	<u>44,799,400</u>
<u>\$ 5,146,090</u>	<u>\$ 5,797,435</u>	<u>\$ 1,711,603</u>	<u>\$ 13,171,503</u>	<u>\$ 33,269</u>	<u>\$ -</u>	<u>\$ 60,411,833</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Special Revenue Funds</b>			
	<b>Child Development</b>	<b>Cafeteria</b>	<b>Deferred Maintenance</b>	<b>Capital Facilities</b>
<b>REVENUES</b>				
Federal sources	\$ 20,575,284	\$ 11,551,039	\$ -	\$ -
Other state sources	11,341,684	1,005,842	-	-
Other local sources	5,368,996	2,499,411	62,391	3,415,817
<b>Total Revenues</b>	<b>37,285,964</b>	<b>15,056,292</b>	<b>62,391</b>	<b>3,415,817</b>
<b>EXPENDITURES</b>				
Current				
Instruction	28,376,828	-	-	-
Instruction related activities:				
Supervision of instruction	3,124,367	-	-	-
School site administration	4,049,365	-	-	-
Pupil Services:				
Food services	4,944,652	17,016,186	-	-
All other pupil services	264,198	-	-	-
General administration:				
All other general administration	2,025,082	757,235	-	-
Plant services	285,318	368,736	-	-
Facility acquisition and construction	-	-	1,785,175	2,074,122
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>43,069,810</b>	<b>18,142,157</b>	<b>1,785,175</b>	<b>2,074,122</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(5,783,846)</b>	<b>(3,085,865)</b>	<b>(1,722,784)</b>	<b>1,341,695</b>
<b>Other Financing Sources:</b>				
Transfers in	5,882,410	3,109,227	400,000	276
Other sources	-	-	-	-
Transfers out	-	-	(553)	-
<b>Net Financing Sources</b>	<b>5,882,410</b>	<b>3,109,227</b>	<b>399,447</b>	<b>276</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>98,564</b>	<b>23,362</b>	<b>(1,323,337)</b>	<b>1,341,971</b>
<b>Fund Balance - Beginning</b>	<b>308,873</b>	<b>34,813</b>	<b>4,749,087</b>	<b>18,470,730</b>
<b>Fund Balance - Ending</b>	<b>\$ 407,437</b>	<b>\$ 58,175</b>	<b>\$ 3,425,750</b>	<b>\$ 19,812,701</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,126,323
-	3,787,787	-	205,327	-	-	16,340,640
73,935	112,374	521,089	47,369,994	(3)	-	59,424,004
73,935	3,900,161	521,089	47,575,321	(3)	-	107,890,967
-	-	-	-	-	-	28,376,828
-	-	-	-	-	-	3,124,367
-	-	-	-	-	-	4,049,365
-	-	-	-	-	-	21,960,838
-	-	-	-	-	-	264,198
-	-	-	-	-	-	2,782,317
-	-	38,446	-	-	-	692,500
-	4,140,950	-	-	-	-	8,000,247
-	-	938,193	25,700,000	-	350,000	26,988,193
-	-	1,276,803	30,466,236	-	524,139	32,267,178
-	4,140,950	2,253,442	56,166,236	-	874,139	128,506,031
73,935	(240,789)	(1,732,353)	(8,590,915)	(3)	(874,139)	(20,615,064)
-	-	2,214,996	-	-	874,139	12,481,048
-	-	-	2,262,548	-	-	2,262,548
-	-	-	-	-	-	(553)
-	-	2,214,996	2,262,548	-	874,139	14,743,043
73,935	(240,789)	482,643	(6,328,367)	(3)	-	(5,872,021)
342,958	6,038,224	1,228,960	19,464,504	33,272	-	50,671,421
\$ 416,893	\$ 5,797,435	\$ 1,711,603	\$ 13,136,137	\$ 33,269	\$ -	\$ 44,799,400

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## GENERAL UNRESTRICTED AND RESTRICTED FUNDS COMBINING BALANCE SHEET JUNE 30, 2011

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 903,809	\$ 513,824	\$ 1,417,633
Investments	77,281,439	40,154,313	117,435,752
Receivables	31,808,523	15,847,789	47,656,312
Stores inventories	593,442	-	593,442
Prepaid expenses	2,588,337	-	2,588,337
<b>Total assets</b>	<u>\$ 113,175,550</u>	<u>\$ 56,515,926</u>	<u>\$ 169,691,476</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 57,379,811	\$ 15,427,388	\$ 72,807,199
Deferred revenue	-	18,595,773	18,595,773
<b>Total liabilities</b>	<u>57,379,811</u>	<u>34,023,161</u>	<u>91,402,972</u>
<b>Fund Balances:</b>			
Nonspendable	3,182,279	-	3,182,279
Restricted	-	22,492,765	22,492,765
Assigned	1,606,155	-	1,606,155
Unassigned	51,007,305	-	51,007,305
<b>Total fund balances</b>	<u>55,795,739</u>	<u>22,492,765</u>	<u>78,288,504</u>
<b>Total liabilities and fund balances</b>	<u>\$ 113,175,550</u>	<u>\$ 56,515,926</u>	<u>\$ 169,691,476</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 BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Revenue limit sources	\$ 259,585,629	\$ -	\$ 259,585,629
Federal sources	524,675	50,172,602	50,697,277
Other state sources	100,150,806	29,807,087	129,957,893
Other local sources	38,706,302	69,246,152	107,952,454
Interfund contributions	(7,924,576)	7,924,576	-
<b>Total Revenues</b>	<u>391,042,836</u>	<u>157,150,417</u>	<u>548,193,253</u>
<b>EXPENDITURES</b>			
Current			
Instruction	188,037,630	59,450,035	247,487,665
Instruction related activities:			
Supervision of instruction	10,555,252	60,678,089	71,233,341
Instructional library and technology	2,018,829	5,177,381	7,196,210
School site administration	32,635,685	979,924	33,615,609
Pupil Services:			
Home-to school transportation	2,006,856	6,026,720	8,033,576
Food services	108	11,122	11,230
All other pupil services	16,368,042	14,409,267	30,777,309
General administration:			
Data processing	6,481,372	865,123	7,346,495
All other general administration	13,638,812	5,488,115	19,126,927
Plant services	39,549,152	11,366,146	50,915,298
Facility acquisition and construction	416,532	2,999,106	3,415,638
Ancillary services	425,708	2,859,870	3,285,578
Other (outgo)	46,195,169	2,359,433	48,554,602
Enterprise services	-	3,685	3,685
Debt service			
Principal	1,100,179	-	1,100,179
Interest and other	2,123,696	-	2,123,696
<b>Total Expenditures</b>	<u>361,553,022</u>	<u>172,674,016</u>	<u>534,227,038</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>29,489,814</u>	<u>(15,523,599)</u>	<u>13,966,215</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out	(12,480,772)	-	(12,480,772)
<b>Net Financing Sources (Uses)</b>	<u>(12,480,772)</u>	<u>-</u>	<u>(12,480,772)</u>
<b>NET CHANGE IN FUND BALANCES</b>	17,009,042	(15,523,599)	1,485,443
<b>Fund Balance - Beginning</b>	38,786,697	38,016,364	76,803,061
<b>Fund Balance - Ending</b>	<u>\$ 55,795,739</u>	<u>\$ 22,492,765</u>	<u>\$ 78,288,504</u>

See accompanying note to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

**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 Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of State Fiscal Stabilization funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description:	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 105,548,180
ARRA - State Fiscal Stabilization Fund	84.394	3,429,794
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	12,179
Commodities are not recorded on the Financial Statements	10.556	416,852
Total Schedule of Expenditures of Federal Awards		<u>\$ 109,407,005</u>

**Subrecipients**

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

<u>PROGRAM</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA - Title I, Part A, Basic Grants Low Income and Neglected	84.389	\$ 4,277
ARRA - State Fiscal Stabilization Fund	84.394	119,694
Education Jobs Fund	84.410	494,718
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	362,209
Title II, Part A, Teacher Quality	84.367	30,922
Total		<u>\$ 1,011,820</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.

# **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011**

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### **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.

### **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.

### **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 Balances**

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 Balances.

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

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.

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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, 2011, which collectively comprise San Francisco Unified School District's basic financial statements and have issued our report thereon dated December 15, 2011. 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**

The management of San Francisco Unified School District is responsible for establishing and maintaining effective 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.

Vannink Trine Day + Co. LLP

Palo Alto, California  
December 15, 2011



**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 San Francisco Unified School District's compliance 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 San Francisco Unified School District's major Federal programs for the year ended June 30, 2011. 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.

In our opinion, 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-01.

## 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 the 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.

*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 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.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs. *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.

San Francisco Unified School District's responses 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 responses and, accordingly, we express no opinion on the responses.

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.

*Vasinek Trime Day + Co. LLP*

Palo Alto, California  
December 15, 2011



**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

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

We have audited San Francisco Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to San Francisco Unified School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above 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 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 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of San Francisco Unified School District's compliance with those requirements.

In our opinion, San Francisco Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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
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

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.

*Vasinek Trime Day + Co. LLP*

Palo Alto, California  
December 15, 2011

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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, 2011**

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**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>93.596 and 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>84.410</u>	<u>Education Jobs Fund</u>
<u>84.377</u>	<u>School Improvement Grant (includes ARRA)</u>
<u>10.553, 10.555, and 10.556</u>	<u>Child Nutrition Cluster Programs</u>
<u>84.027, 84.027A, 84.173, 84.173A, 84.391 (ARRA), and 84.392 (ARRA)</u>	<u>Special Education Cluster (includes ARRA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,282,210</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unqualified for all programs except for the following program which was qualified:	
	<u>Name of Program</u>
	<u>After School Education and Safety (ASES)</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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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

**2011-01 Code: TIME AND EFFORT DOCUMENTATION (50000)**

### Identification of programs

United States Department of Education, passed-through the California Department of Education:

- Title I, Part A (84.010)
- ARRA – Title I, Part A (84.389)
- Title II, Part A (84.367)
- School Improvement Grant (84.377)
- ARRA – School Improvement Grant (84.388)

Questioned costs for each program or cluster of programs is identified in Questioned Costs section of this finding.

### Criteria or Specific Requirements

Attachment B, Section 8(h) of OMB Circular A-87 specifies the standards for documenting salaries and wages charged to federal programs.

Pursuant to Attachment B, § 8(h)(3), employees who work solely on a single federal award or cost objective need only complete a periodic certification meeting certain requirements, including that the certifications will be prepared at least semi annually.

Pursuant to Attachment B, § 8[h][4], [5], and [7], employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report or equivalent documentation meeting certain requirements. Among others, the requirements include that activity reports must reflect an after the fact distribution of the actual activity of each employee. Activity reports must account for the total activity for which each employee is compensated. Furthermore, activity reports must be prepared at least monthly and must coincide with one or more pay periods.

### Condition

During our examination of employee time and effort documentation for Title I, Part A (84.010, 84.389), Title II, Part A (84.367), and School Improvement Grant (84.377, 84.388), it was noted that not all employees are submitting time and effort documentation meeting the aforementioned requirements. We did review additional employee documentation including personnel records that did indicate to us the service was being performed and the services performed do appear to be in support of program objectives. However, the documentation required by OMB A-87 was not always available for inspection.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Questioned Costs**

We did not find specific evidence that suggested that there were inappropriate costs charged to the program, only that specific required documentation in support of certain payroll charges, as required by OMB A-87, was lacking. Our estimates of questioned costs are, for each program in question, the total payroll and payroll related costs multiplied by the error rate noted.

For Title II Part A (84.367) questioned costs aggregate \$1,032,338 (\$2,490,563 total payroll costs x an error rate of 41.45%). For Title I Part A (including ARRA, 84.010 and 84.389) questioned costs aggregate \$2,884,731 (\$8,665,841 total payroll costs x an error rate of 33.29%). For School Improvement Grant (including ARRA, 84.377 and 84.388) questioned costs aggregate \$2,192,774 (\$2,192,774 total payroll costs x an error rate of 100%).

### **Context**

Salaries charged to the above-mentioned Federal programs.

### **Effect**

Insufficient time and effort documentation could result in disallowance of expenditures allocated to Federal programs.

### **Cause**

Turnover of key positions in relevant departments has resulted in an inconsistent application of policies and procedures designed to ensure compliance with the aforementioned requirements.

### **Recommendation**

The District needs to take steps to ensure that OMB A-87 program requirements are adhered to and that adequate required documentation to support payroll charges is maintained. 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**

We acknowledge the findings and will move forward to implement corrective action in fiscal year 2011-12 as noted in the auditor's recommendations.

SFUSD has appointed a new Director of State and Federal Programs who is working to ensure compliance in the area of Time Certification. The District has reviewed current procedures and identified action steps, including the upgrading of internal processes to maintain accuracy of these submissions. In review of the current procedures, the District will revise the system for identifying personnel for Time Certification and collecting the appropriate documentation as advised by OMB A-87.

The District will establish an internal review process with a particular focus on personnel funded through multiple sources and will provide training to staff and program managers to ensure that Time Certification requirements are completed in compliance with OMB A-87.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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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

**2011-02 Code: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000)**

**Criteria or Specific Requirements**

Education Code 19846(a)(2) 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 students participation in the program.

Elementary school pupils must participate in the full day of the after school program on every day during which pupils participated, and middle or junior high school pupils must attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy.

**Condition**

We performed attendance testing of the ASES program in two distinct steps. The first step dealt with testing attendance documentation at individual sites. The second step involved comparing the monthly attendance summaries prepared by the individual site to the attendance reports submitted to the State.

**Individual Site Testing**

We tested 2 months and 6 individual sites to compare the actual sign in sign out sheet documentation to the monthly attendance summaries prepared by the site. We tested the months of October 2010 and December 2010. The sites tested were as follows: Presidio, Harvey Milk, Sherman, Marshall, Sanchez and Marina. For Marina and Marshall, no discrepancies were noted. The following table provides a summary of the attendance discrepancies noted:

Name of ASES Site	Month Tested	Total Attendance per Sign In/Out Sheet	Total Attendance per Summary Sheet (excel)	(Over)/Under reported
Harvey Milk	October 2010	273	279	(6)
Harvey Milk	December 2010	241	254	(13)
Presidio	October 2010	276	235	41
Presidio	December 2010	143	135	8
Sherman	October 2010	97	97	0
Sherman	December 2010	369	374	(5)
Sanchez	October 2010	*	280	*
Sanchez	December 2010	*	264	*
		<u>1,399</u>	<u>1,918</u>	<u>25</u>

\*Sign in/out sheets were missing dates, sign in/out times and signatures.

We were unable to determine a relevant audit count for Sanchez as the condition of the attendance sheets kept by the site did not allow us to make any meaningful counts.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### *Missing sign out signatures and times:*

In order to provide documentation of meeting the minimum amount of hours per day and days per week of attendance in order to qualify for attendance reporting, the attendance sheets typically contain a space for the student or his or her guardian to sign out of the program along with the time of day. We noted, for the Sherman, Harvey Milk, Sanchez and Marshall sites, such attendance sheets were lacking sign out times and signatures. As a result there is no documentation to support how long the students were actually in the program on a daily basis. The above schedule of discrepancies noted does NOT take into consideration this lack of documentation. In other words, for purposes of the above schedule, the lack of a sign out time or signature was not considered to be a discrepancy. Nonetheless, the lack of such documentation could call into question the entire amount of reported attendance for these sites.

### *Verification of Semi-Annual Attendance Reporting (Step 2)*

We selected ten ASES sites for verification of semi-annual attendance reporting to the State. This test involves comparing the amount of attendance compiled at the site from their monthly attendance summaries (which were generated from the daily attendance sheets tested above), to the amount of attendance actually reported to the State. The following table provides a summary of the sites and the discrepancies noted in reporting attendance to the State:

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

ASES Site	First Semi-Annual Report	Per Monthly Summaries	(Over)/Under Reported
Aptos Middle	15,885	15,885	0
Cesar Chavez Elementary	6,958	6,958	0
Martin Luther King Jr. Academic Middle	11,368	11,366	(2)
Malcolm X Academy	5,725	5,725	0
Roosevelt Middle	13,663	13,663	0
Sanchez Elementary	20,707	20,707	0
Sheridan Elementary	8,329	8,329	0
Spring Valley Elementary	7,150	7,152	2
Tenderloin Community	4,251	4,606	355
Ulloa Elementary	12,556	12,556	0
	<u>106,592</u>	<u>106,947</u>	<u>355</u>

ASES Site	Second Semi-Annual Report	Per Monthly Summaries	(Over)/Under Reported
Aptos Middle	16,540	16,535	(5)
Cesar Chavez Elementary	8,267	8,515	248
Martin Luther King Jr. Academic Middle	13,744	13,755	11
Malcolm X Academy	6,150	5,462	(688)
Roosevelt Middle	13,590	13,250	(340)
Sanchez Elementary	18,487	18,474	(13)
Sheridan Elementary	9,023	9,064	41
Spring Valley Elementary	8,740	8,740	0
Tenderloin Community	4,837	4,647	(190)
Ulloa Elementary	13,969	13,966	(3)
	<u>113,347</u>	<u>112,408</u>	<u>(939)</u>

**Questioned Costs**

Funding for ASES is on a site by site grant basis. Grant awards for the 2010-11 and 2011-12 fiscal years have already determined and do not change. Grant awards are based in part on the amount of students served (the attendance numbers noted above). A discrepancy in the number of students served in the current year will not impact current year funding, but it could very well impact funding for future periods. The funding amounts for future years are based on a number of factors of which number of students served is one. As such it is not possible to project what the fiscal impact of the errors noted above will have on future site grant award amounts.

We have noted several sites where the attendance documentation lacked both signatures and the time out when the student left the program for the day. Therefore, for those sites, there is no way to determine if the students at those sites participated in the program in a sufficient manner to qualify for attendance reporting. This deficiency in the gathering and reporting of the number of students served could possibly imperil the entire funding for those sites in future periods. The sites noted

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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where this deficiency was noted were Sherman, Harvey Milk, Sanchez and Marshall. The grant award amounts for those sites for the year ended June 30, 2011, were \$130,552, \$140,625, \$130,552 and \$140,625, respectively.

### **Context**

All the After School Education and Safety program revenues.

### **Effect**

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

### **Cause**

This has been a finding that we have had for multiple years. We wish to point out that we have seen significant improvement in the reporting of attendance by the sites on a year over year basis. However, there continues to be situations where the process breaks down. Our observation is that there has been a lack of standardization in the attendance gathering process. 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 a major cause for inaccurate attendance reporting. In addition there appears to be a need for further education on the part of the site coordinators to better understand the program compliance rules and regulations as they relate to reporting attendance.

### **Recommendation**

It is recommended that the District standardize their methodology of attendance reporting and enforce this methodology through frequent internal audits of the sites. Further, because of the errors noted above, we believe the District should re-check each site's semi-annual reported attendance to the State and correct the discrepancies in reporting that exist between the site monthly attendance summaries and the reported attendance. All District sites need to be reminded of the need to have a documented record of when a student actually signs out of the program, showing signature and time out. It is also recommended that the District provide additional training to site coordinators as regards the rules and regulations regarding attendance gathering. Because of the inevitable turnover of personnel that occurs, this type of training should be given on an as needed basis, but at least every year and when there is turnover at the site coordinator position.

### **District Response**

In order to respond to and address the audit findings related to ASES grant compliance and accurate attendance tracking, SFUSD has undertaken the following steps:

Utilizing Consultant Expertise – In January 2011 SFUSD hired independent consultant, Tanya Avila, a highly skilled administrator with extensive knowledge of after school program compliance specific to ASES and 21<sup>st</sup> Century grant funded programs.

## **SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011**

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Mandatory Meetings Related to After School - A Mandatory After School Principals Meeting to educate and inform principals of critical After School Program attendance and grant compliance issues was held on March 4, 2011. Effective September 2011, all CBO partners and Site Coordinators are required to attend Mandatory Monthly meetings facilitated by the ExCEL After School Program office. Education and information regarding implementation of required compliance protocols and procedures, including attendance tracking requirements, are shared at these monthly meetings.

Development of Site Attendance Monitoring Instruments - A Site Attendance Monitoring Tool has been developed in partnership with our independent consultant. District After School Program staff piloted attendance monitoring site visit audits in Spring 2011. During August 2011, the tool was updated and internal site monitoring audits were conducted to all funded after school programs between August- October 2011 to address attendance related compliance issues.

Standardizing Attendance and Early Release Policy - A standardized daily sign in/out form was developed and approved for District-wide use and implemented at all after school program sites effective August 2011. A District-wide Early Release Policy was drafted and established for implementation in August 2011, providing additional clarity and guidance on sign in/out procedures.

Review of Reported Attendance - ExCEL After School Program office implemented an internal review process to ensure that each site's semi-annual reported attendance to the State is accurately prepared and reported to California Department of Education.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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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*

None reported.

### *Federal Awards Findings*

#### **2010-1 Code 50000**

##### *Child Care and Development Block Grant*

##### **Finding**

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

##### **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.

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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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**

Implemented.

### **2010-2 Code 50000**

#### *Time Certifications*

#### **Finding**

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.

#### **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.

#### **Current Status**

Not Implemented. See current year federal award finding 2011-01.

### *State Awards Findings*

### **2010-3 Code 40000**

#### *After School Education and Safety Program*

#### **Finding**

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

# SAN FRANCISCO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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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.

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.

### **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.

### **Current Status**

Partially Implemented. The in-kind contribution and direct services percentage ratios have been tested for both years and are in compliance with the program guidelines. We still noted discrepancies in compiling information on the number of students served. See current year state award finding 2011-02.

## **2010-4 Code 72000**

### *School Accountability Report Card*

### **Finding**

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.

### **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.

### **Current Status**

Implemented.