SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2014

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
OF SAN MATEO COUNTY

SOUTH SAN FRANCISCO, CALIFORNIA

JUNE 30, 2014

The District is located in Northern San Mateo County, California, one of the nine counties which comprise the metropolitan San Francisco Bay Area. The District encompasses territory in the entire City of South San Francisco, a portion of Daly City, a small area of San Bruno and small "islands" of unincorporated areas of San Mateo County. The District extends from San Francisco Bay in the east to Skyline Boulevard in the western hills. The District currently operates ten elementary schools, three middle schools, two comprehensive high schools, one continuation school, four day-care schools, one adult education school and one centrally located children center.

GOVERNING BOARD

Member	Office	Term Expires
Maurice Goodman	President	November 2016
Judith Bush	Vice President	December 2016
Philip Weise	Clerk	December 2014
Patrick Lucy	Member	December 2014

DISTRICT ADMINISTRATORS

Alejandro Hogan
Superintendent

Jacqueline McEvoy, Ed.D.
Assistant Superintendent, Personnel

Shawnterra Moore Thomas, Ed.D.
Assistant Superintendent, Educational Services

Patricia Ernsberger
Assistant Superintendent, Business Services

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA
Michael Ash, CPA
Tanya M. Rogers, CPA, CFE
John Whitehouse, CPA
Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South San Francisco Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the South San Francisco Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South San Francisco Unified School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, the budgetary comparison information on page 49, and the schedule of funding progress on page 50 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South San Francisco Unified School 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 the 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.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of South San Francisco Unified School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South San Francisco Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 9, 2014

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

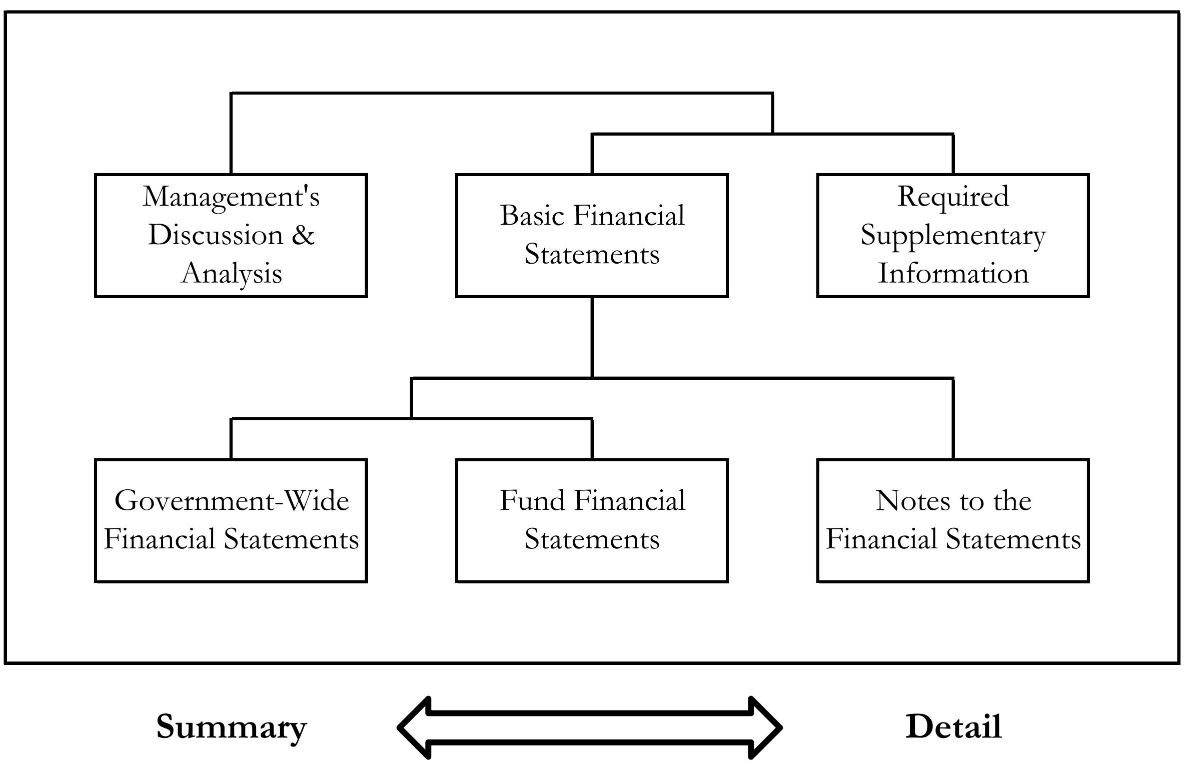
Our discussion and analysis of South San Francisco Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was $89,897,975 at June 30, 2014. This was an increase of $4,163,756 from the prior year.
- Overall revenues were $92,979,798 which exceeded expenses of $89,897,975.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

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 position includes all of the government'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 position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $89,897,975 at June 30, 2014. Of this amount, $40,797,284 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2014	2013	Net Change
ASSETS			
Current and other assets	$ 93,285,848	$113,993,916	$ (20,708,068)
Capital assets	144,026,917	111,436,864	32,590,053
Total Assets	237,312,765	225,430,780	11,881,985
LIABILITIES			
Current liabilities	21,040,501	11,018,498	10,022,003
Long-term liabilities	126,374,289	128,678,063	(2,303,774)
Total Liabilities	147,414,790	139,696,561	7,718,229
NET POSITION			
Net investment in capital assets	36,512,499	39,086,693	(2,574,194)
Restricted	12,588,192	12,958,959	(370,767)
Unrestricted	40,797,284	33,688,567	7,108,717
Total Net Position	$ 89,897,975	$ 85,734,219	$ 4,163,756

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2014	2013	Net Change
REVENUES			
Program revenues			
Charges for services	$ 7,528,321	$ 1,481,228	$ 6,047,093
Operating grants and contributions	9,506,561	12,206,531	(2,699,970)
General revenues			
Property taxes	69,915,048	79,950,449	(10,035,401)
Unrestricted federal and state aid	1,915,408	8,375,643	(6,460,235)
Other	4,114,460	2,201,829	1,912,631
Total Revenues	92,979,798	104,215,680	(11,235,882)
EXPENSES			
Instruction	44,927,862	43,184,380	1,743,482
Instruction-related services	8,368,050	7,750,446	617,604
Pupil services	10,639,409	10,506,430	132,979
General administration	3,945,635	3,557,260	388,375
Plant services	6,539,611	6,492,133	47,478
Ancillary and community services	27,049	46,056	(19,007)
Debt service	3,443,264	5,684,432	(2,241,168)
Other Outgo	4,023,048	3,944,627	78,421
Depreciation	6,298,376	5,319,103	979,273
Total Expenses	88,212,304	86,484,867	1,727,437
Change in net position	4,767,494	17,730,813	(12,963,319)
Net Position - Beginning, as Restated	85,130,481	68,003,406	17,127,075
Net Position - Ending	$ 89,897,975	$ 85,734,219	$ 4,163,756

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total net cost of services provided for the year ended June 30, 2014 was $71,177,422.

	Net Cost of Services	
	2014	**2013**
Instruction	$ 40,152,908	$ 37,119,298
Instruction-related services	6,654,569	6,967,043
Pupil services	8,091,073	7,712,817
General administration	3,659,356	3,227,957
Plant services	6,355,865	6,291,479
Ancillary and community services	2	46,056
Debt service	1,002,273	5,684,432
Transfers to other agencies	(1,037,000)	428,923
Depreciation	6,298,376	5,319,103
Total Expenses	$ 71,177,422	$ 72,797,108

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $77,282,783. The District's General Fund had $9,198,156 more in operating revenues than expenditures for the year ended June 30, 2014. The Building Fund had $36,034,550 more in operating expenditures than operating revenues for the year ended June 30, 2014.

CURRENT YEAR BUDGET 2013-14

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013-14 the District had invested $144,026,917 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2014	2013	Net Change
CAPITAL ASSETS			
Land	$ 4,305,189	$ 4,305,189	$ -
Construction in progress	38,644,676	15,512,624	23,132,052
Land improvements	32,529,327	29,003,986	3,525,341
Buildings & improvements	133,641,475	123,241,240	10,400,235
Furniture & equipment	6,146,351	6,144,341	2,010
Accumulated depreciation	(71,240,101)	(66,770,516)	(4,469,585)
Total Capital Assets	$144,026,917	$111,436,864	$ 32,590,053

Long-Term Debt

At year-end, the District had $126,374,289 in long-term debt, a decrease 1.79% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2014	2013	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 35,707,096	$ 38,757,601	$ (3,050,505)
Bond anticipation note	91,180,190	90,739,790	440,400
Total certificates of participation	903,088	1,094,201	(191,113)
Compensated absences	538,820	624,193	(85,373)
Net OPEB obligation	2,470,629	1,447,964	1,022,665
Less: current portion of long-term debt	(4,425,534)	(3,985,686)	(439,848)
Total Long-term Liabilities	$126,374,289	$128,678,063	$ (2,303,774)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting new compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 3% annually over the next two years, according to the UCLA Anderson Economic Forecast for September 2014. In the California forecast, Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been." The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions,* will be effective in the following fiscal year, 2014-15. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability will be reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is unknown at this time but is anticipated to be material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2014-15 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (650) 877-8707.

District Address

South San Francisco Unified School District
398 B Street
South San Francisco, CA 94080

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 85,913,192
Investments	443,748
Accounts receivable	6,403,190
Inventory	150,756
Prepaid expenses	374,962
Capital assets, not depreciated	42,949,865
Capital assets, net of accumulated depreciation	101,077,052
Total Assets	237,312,765
LIABILITIES	
Accrued liabilities	10,967,621
Unearned revenue	5,647,346
Long-term liabilities, current portion	4,425,534
Long-term liabilities, non-current portion	126,374,289
Total Liabilities	147,414,790
NET POSITION	
Net investment in capital assets	36,512,499
Restricted:	
Capital projects	1,515,103
Debt service	6,911,831
Educational programs	2,820,772
All others	1,340,486
Unrestricted	40,797,284
Total Net Position	$ 89,897,975

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	$ 44,927,862	$ 251,457	$ 4,523,497	$ (40,152,908)
Instruction-related services				
Instructional supervision and administration	942,076	11,450	150,168	(780,458)
Instructional library, media, and technology	1,597,954	10	1,171,668	(426,276)
School site administration	5,828,020	24,180	356,005	(5,447,835)
Pupil services				
Home-to-school transportation	1,342,506	-	-	(1,342,506)
Food services	2,196,939	630,055	1,592,827	25,943
All other pupil services	7,099,964	74,437	251,017	(6,774,510)
General administration				
Centralized data processing	65,589	-	-	(65,589)
All other general administration	3,880,046	40,331	245,948	(3,593,767)
Plant services	6,539,611	5,315	178,431	(6,355,865)
Community services	27,049	27,047	-	(2)
Interest on long-term debt	3,443,264	2,440,991	-	(1,002,273)
Other Outgo	4,023,048	4,023,048	1,037,000	1,037,000
Depreciation (unallocated)	6,298,376	-	-	(6,298,376)
Total Governmental Activities	$ 88,212,304	$ 7,528,321	$ 9,506,561	(71,177,422)

General revenues	
Taxes and subventions	
Property taxes, levied for general purposes	64,695,257
Property taxes, levied for debt service	4,963,802
Property taxes, levied for other specific purposes	255,989
Federal and state aid not restricted for specific purposes	1,915,408
Miscellaneous	4,114,460
Subtotal, General Revenue	75,944,916
CHANGE IN NET POSITION	4,767,494
Net Position - Beginning, as Restated	85,130,481
Net Position - Ending	$ 89,897,975

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 51,760,707	$ 23,803,090	$ 10,349,395	$ 85,913,192
Investments	129,891	-	313,857	443,748
Accounts receivable	6,188,028	50,567	164,595	6,403,190
Due from other funds	375,186	108	270,485	645,779
Stores inventory	103,615	-	47,141	150,756
Prepaid expenditures	201,292	7,848	165,822	374,962
Total Assets	$ 58,758,719	$ 23,861,613	$ 11,311,295	$ 93,931,627
LIABILITIES				
Accrued liabilities	$ 4,276,508	$ 5,835,414	$ 243,797	$ 10,355,719
Due to other funds	268,130	11,660	365,989	645,779
Unearned revenue	5,634,846	-	12,500	5,647,346
Total Liabilities	10,179,484	5,847,074	622,286	16,648,844
FUND BALANCES				
Nonspendable	340,007	7,848	213,040	560,895
Restricted	2,151,150	18,006,691	10,437,042	30,594,883
Assigned	18,575,413	-	38,927	18,614,340
Unassigned	27,512,665	-	-	27,512,665
Total Fund Balances	48,579,235	18,014,539	10,689,009	77,282,783
Total Liabilities and Fund Balances	$ 58,758,719	$ 23,861,613	$ 11,311,295	$ 93,931,627

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balance - Governmental Funds		$ 77,282,783
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 215,267,018	
Accumulated depreciation	(71,240,101)	144,026,917
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(611,902)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 35,707,096	
Bond anticipation note	91,180,190	
Total certificates of participation	903,088	
Compensated absences	538,820	
Net OPEB obligation	2,470,629	(130,799,823)
Total Net Position - Governmental Activities		$ 89,897,975

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 69,875,238	$ -	$ -	$ 69,875,238
Federal sources	3,314,097	-	1,983,948	5,298,045
Other state sources	6,920,022	-	712,296	7,632,318
Other local sources	2,931,991	246,743	6,995,463	10,174,197
Total Revenues	83,041,348	246,743	9,691,707	92,979,798
EXPENDITURES				
Current				
Instruction	42,690,879	-	1,227,364	43,918,243
Instruction-related services				
Instructional supervision and administration	940,339	-	1,737	942,076
Instructional library, media, and technology	1,790,987	-	-	1,790,987
School site administration	5,462,622	-	365,398	5,828,020
Pupil services				
Home-to-school transportation	1,342,506	-	-	1,342,506
Food services	-	-	2,264,286	2,264,286
All other pupil services	7,099,964	-	-	7,099,964
General administration				
Centralized data processing	65,589	-	-	65,589
All other general administration	3,589,392	-	165,338	3,754,730
Plant services	6,525,271	-	88,731	6,614,002
Facilities acquisition and maintenance	286,546	36,281,293	2,183,462	38,751,301
Community services	27,049	-	-	27,049
Transfers to other agencies	4,022,048	-	-	4,022,048
Debt service				
Principal	-	-	3,195,154	3,195,154
Interest and other	-	-	2,960,574	2,960,574
Total Expenditures	73,843,192	36,281,293	12,452,044	122,576,529
Excess (Deficiency) of Revenues Over Expenditures	9,198,156	(36,034,550)	(2,760,337)	(29,596,731)
Other Financing Sources (Uses)				
Transfers in	32,708	171,322	952,245	1,156,275
Transfers out	(1,123,567)	-	(32,708)	(1,156,275)
Net Financing Sources (Uses)	(1,090,859)	171,322	919,537	-
NET CHANGE IN FUND BALANCE	8,107,297	(35,863,228)	(1,840,800)	(29,596,731)
Fund Balance - Beginning	40,471,938	53,877,767	12,529,809	106,879,514
Fund Balance - Ending	$ 48,579,235	$ 18,014,539	$ 10,689,009	$ 77,282,783

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

SOUTH 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, 2014

Net Change in Fund Balances - Governmental Funds		$ (29,596,731)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 39,099,118	
Depreciation expense:	(6,298,376)	32,800,742
Debt service:		
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		3,195,155
Gain or loss from the disposal of capital assets:		
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(210,689)

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

Unmatured interest on long-term debt:	
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:	(89,754)
Accreted interest on long-term debt:	
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.	(1,184,257)
Compensated absences:	
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:	85,373
Postemployment benefits other than pensions (OPEB):	
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(1,022,665)
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	790,320
Change in Net Position of Governmental Activities	$ 4,767,494

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Trust Funds	Agency Funds
	Private-Purpose Trust Fund	Student Body Fund
ASSETS		
Cash and cash equivalents	$ 468,415	$ 643,081
Accounts receivable	702	-
Total Assets	469,117	$ 643,081
LIABILITIES		
Due to student groups	-	$ 643,081
Total Liabilities	-	$ 643,081
NET POSITION		
Unrestricted	469,117	
Total Net Position	$ 469,117	

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Trust Funds
	Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	$ 9,572
Total Additions	9,572
DEDUCTIONS	
Other trust activities	2,500
Total Deductions	2,500
CHANGE IN NET POSITION	7,072
Net Position - Beginning	462,045
Net Position - Ending	$ 469,117

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The South San Francisco Unified District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also 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. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. 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 of 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 program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds.. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 *et seq*.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Special Revenue Fund shall be 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).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

State School Building Lease-Purchase Fund: This 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.

County School Facilities Fund: This 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: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section* 42840).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Debt Service Funds (continued):

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District.

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section* 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections* 48930–48938).

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Government-Wide and Fiduciary Financial Statements (continued)
Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets 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 net position should be reported as restricted when constraints placed on its 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. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified 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 under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means 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" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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 capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	25-50 years
Furniture and Equipment	5-10 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts
In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has implemented GASB Statement No. 65 for the year ended June 30, 2014.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total Governmental Activities	Fiduciary Funds
Cash in county	$ 80,483,941	$ 468,415
Cash on hand and in banks	1,139,392	643,081
Cash with fiscal agent	4,256,683	-
Cash in revolving fund	33,176	-
Total cash and cash equivalents	$ 85,913,192	$ 1,111,496
Investments	$ 443,748	$ -

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The San Mateo County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the 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.

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. 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 Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $80,584,273 and an amortized book value of $80,952,356. The average weighted maturity for this pool is 610 days.

NOTE 2 – CASH AND INVESTMENTS (continued)

E. 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 investments in the County Treasury, LAIF and equities are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were not rated.

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	$ 688,940	$ -	$ 48,837	$ 737,777	$ -
State Government			-		
Apportionment	4,005,407	-	-	4,005,407	-
Categorical aid	597,272	-	13,181	610,453	-
Lottery	314,969	-	-	314,969	-
Local Government			-		
Other local sources	581,440	50,567	102,577	734,584	702
Total	$ 6,188,028	$ 50,567	$ 164,595	$ 6,403,190	$ 702

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated				
Land	$ 4,305,189	$ -	$ -	$ 4,305,189
Construction in progress	15,512,624	31,147,537	8,015,485	38,644,676
Total Capital Assets not Being Depreciated	19,817,813	31,147,537	8,015,485	42,949,865
Capital assets being depreciated				
Land improvements	29,003,986	3,525,341	-	32,529,327
Buildings & improvements	123,241,240	12,006,465	1,606,230	133,641,475
Furniture & equipment	6,144,341	435,260	433,250	6,146,351
Total Capital Assets Being Depreciated	158,389,567	15,967,066	2,039,480	172,317,153
Less Accumulated Depreciation				
Land improvements	2,189,115	1,044,527	-	3,233,642
Buildings & improvements	59,940,116	4,716,291	1,395,541	63,260,866
Furniture & equipment	4,641,285	537,558	433,250	4,745,593
Total Accumulated Depreciation	66,770,516	6,298,376	1,828,791	71,240,101
Governmental Activities				
Capital Assets, net	$ 111,436,864	$ 40,816,227	$ 8,226,174	$ 144,026,917

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2014 were as follows:

	Due From Other Funds			
Due To Other Funds	**General Fund**	**Building Fund**	**Non-Major Governmental Funds**	**Total**
General Fund	$ -	$ 108	$ 268,022	$ 268,130
Building Fund	11,660	-	-	11,660
Non-Major Governmental Funds	363,526	-	2,463	365,989
Total Due From Other Funds	$ 375,186	$ 108	$ 270,485	$ 645,779

General Fund due to the Child Development Fund for expenditures	$ 118
General Fund due to the Cafeteria Fund for expenditures	14,378
General Fund due to the Building Fund for expenditures	108
General Fund due to the Special Reserve Fund for expenditures	253,526
Child Development Fund due to the Special Reserve Fund for expenditures	2,463
Child Development Fund due to the General Fund for expenditures	211,333
Cafeteria Fund due to the General Fund for expenditures	150,518
Building Fund due to the General Fund for expenditures	11,660
State School Building Lease Fund due to the General Fund for expenditures	154
County School Facilities Fund due to the General Fund for expenditures	1,521
Total	$ 645,779

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

	Interfund Transfers In			
Interfund Transfers Out	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 171,322	$ 952,245	$ 1,123,567
Non-Major Governmental Funds	32,708	-	-	32,708
Total Interfund Transfers	$ 32,708	$ 171,322	$ 952,245	$ 1,156,275

The General Fund transferred RDA Pass through to the Special Reserve for Capital Outlay Fund in the amount of	$ 952,245
The Child Development Fund transferred rental income to the General Fund in the amount of	31,033
The State School Building Fund transferred to General Funds to close out fund	154
The County School Facilities Fund transferred to General Funds to close out fund	1,521
The Deferred Maintenance Fund transferred to Building Fund for expenditures	171,322
	$ 1,156,275

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 75,854	$ -	$ 1,173	$ -	$ 77,027
Construction	-	5,835,414	208,650	-	6,044,064
Vendors payable	4,200,654	-	33,974	-	4,234,628
Unmatured interest	-	-	-	611,902	611,902
Total	$ 4,276,508	$ 5,835,414	$ 243,797	$ 611,902	$ 10,967,621

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 51,329	$ -	$ 51,329
State categorical sources	-	5,000	5,000
Local sources	5,583,517	7,500	5,591,017
Total	$ 5,634,846	$ 12,500	$ 5,647,346

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2014 consisted of the following:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 38,571,750	$ -	$ 3,004,042	$ 35,567,708	$ 3,425,121
Unamortized premium	185,851	-	46,463	139,388	46,463
Total general obligation bonds	38,757,601	-	3,050,505	35,707,096	3,471,584
Bond anticipation note	86,003,627	-		86,003,627	-
Unamortized premium	3,659,003	-	743,857	2,915,146	743,857
Acrreted Interest	1,077,160	1,184,257	-	2,261,417	-
Total bond anticipation note	90,739,790	1,184,257	743,857	91,180,190	743,857
Certificates of participation	1,094,201	-	191,113	903,088	210,093
Compensated absences	624,193	-	85,373	538,820	-
Net OPEB obligation	1,447,964	1,022,665	-	2,470,629	-
Total	$ 132,663,749	$ 2,206,922	$ 4,070,848	$ 130,799,823	$ 4,425,534

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2014 amounted to $538,820. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

On January 1, 2006, the South San Francisco Unified School District purchased the 2006 Refunding Bonds, which was issued the same year to refund the Series 1997 and Series 1999 and 1999 B bond issuances. The bonds were issued at a premium and yielded net proceeds of $2,992,183 to be spent on the District's capital facilities improvement program. The proceeds were deposited into the District's Building Fund in 2005-06. The remaining funds were transferred into an escrow fund, an in-substance defeasance, for the purpose of paying off all previously issued bonded indebtedness.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2013	Additions	Deductions	Bonds Outstanding June 30, 2014
2006 Refunding	1/1/2006	9/1/2023	4.00%- 5.25%	$ 36,825,170	$ 31,571,750	$ -	$ 1,514,042	$ 30,057,708
2012 Series A	5/23/2012	9/1/2016	0.32%- 3.00%	$ 7,000,000	7,000,000	-	1,490,000	5,510,000
					$ 38,571,750	$ -	$ 3,004,042	$ 35,567,708

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

The annual requirements to amortize the 2006 Series general obligation bonds outstanding as of June 30, 2014, are as follows:

	Series 2006		
Year Ending June 30,	Principal	Interest	Total
2015	$ 1,730,121	$ 1,663,981	$ 3,394,102
2016	1,963,603	1,558,710	3,522,313
2017	2,215,681	1,439,600	3,655,281
2018	2,487,621	1,305,556	3,793,177
2019	2,780,771	1,155,407	3,936,178
2020 - 2024	18,879,910	2,876,433	21,756,343
	$ 30,057,707	$ 9,999,687	$ 40,057,394

The annual requirements to amortize the 2012 Series general obligation bonds outstanding as of June 30, 2014, are as follows:

	2012 Series A		
Year Ending June 30,	Principal	Interest	Total
2015	$ 1,695,000	$ 98,568	$ 1,793,568
2016	1,820,000	67,200	1,887,200
2017	1,995,000	19,950	2,014,950
	$ 5,510,000	$ 185,718	$ 5,695,718

C. Bond Anticipation Notes

A schedule of changes in the bond anticipation notes (BANS) for the year ended June 30, 2014 consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	BANS Outstanding July 01, 2013	Additions	Deductions	BANS Outstanding June 30, 2014
Series C & D	5/8/2012	5/1/2017	1.82% - 2.01%	$ 56,001,757	$ 56,001,757	$ -	$ -	$ 56,001,757
Series E & F	6/1/2013	6/15/2018	0.32% - 3.00%	$ 30,001,870	30,001,870	-	-	30,001,870
					$ 86,003,627	$ -	$ -	$ 86,003,627

NOTE 8 – LONG-TERM DEBT (continued)

C. Bond Anticipation Notes (continued)

The annual requirements to amortize the Series C & D bond anticipation notes as of June 30, 2014 are as follows:

	BAN Series C		BAN Series D	
Year Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**
2015	$ -	$ -	$ -	$ -
2016	25,999,340	1,965,660	-	-
2017	-	-	30,002,417	3,132,583
	$ 25,999,340	$ 1,965,660	$ 30,002,417	$ 3,132,583

The annual requirements to amortize the Series E & F bond anticipation notes as of June 30, 2014 are as follows:

	BAN Series E and F		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2015	$ -	$ 1,066,800	$ 1,066,800
2016	-	1,066,800	1,066,800
2017	-	1,066,800	1,066,800
2018	30,001,870	1,584,930	31,586,800
	$ 30,001,870	$ 4,785,330	$ 34,787,200

D. Certificates of Participation

A schedule of changes in the certificates of participation (COPS) for the year ended June 30, 2014 consisted of the following:

Series	**Maturity Date**	**Interest Rate**	**COP Outstanding July 1, 2013**	**Additions**	**Deductions**	**COP Outstanding June 30, 2014**
Series 2004	2018	4.88%	$ 469,201	$ -	$ 76,113	$ 393,088
Series 2009	2018	1.25% - 4.75%	625,000	-	115,000	510,000
			$ 1,094,201	$ -	$ 191,113	$ 903,088

NOTE 8 – LONG-TERM DEBT (continued)

D. Certificates of Participation (continued)

The annual requirements to amortize the Series 2004 Cafeteria certificates of participation as of June 30, 2014 are as follows:

	Cafeteria COP		
Year Ending June 30,	Principal	Interest	Total
2015	$ 80,093	$ 18,207	$ 98,300
2016	84,049	14,251	98,300
2017	88,200	10,099	98,300
2018	92,557	5,743	98,300
2019	48,189	1,171	49,150
	$ 393,088	$ 49,471	$ 442,350

The annual requirements to amortize the Series 2009 certificates of participation as of June 30, 2014 are as follows:

	COP 2009		
Year Ending June 30,	Principal	Interest	Total
2015	$ 120,000	$ 19,825	$ 139,825
2016	125,000	14,919	139,919
2017	130,000	9,338	139,338
2018	135,000	3,206	138,206
	$ 510,000	$ 47,288	$ 557,288

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2014:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 33,100	$ -	$ 76	$ 33,176
Stores inventory	103,615	-	47,142	150,757
Prepaid expenditures	201,292	7,848	165,822	374,962
All others	2,000	-	-	2,000
Total non-spendable	340,007	7,848	213,040	560,895
Restricted				
Educational programs	2,151,150	-	669,622	2,820,772
Capital projects	-	18,006,691	1,515,103	19,521,794
Debt service	-	-	6,911,831	6,911,831
All others	-	-	1,340,486	1,340,486
Total restricted	2,151,150	18,006,691	10,437,042	30,594,883
Assigned				
Assignment 1	12,499,751	-	-	12,499,751
Adult education	1,199,540	-	-	1,199,540
Deferred maintenance	2,899,586	-	-	2,899,586
Special reserve	1,976,536	-	-	1,976,536
Child development	-	-	38,927	38,927
Total assigned	18,575,413	-	38,927	18,614,340
Unassigned				
Reserve for economic uncertainties	3,630,014	-	-	3,630,014
Remaining unassigned	23,882,651	-	-	23,882,651
Total unassigned	27,512,665	-	-	27,512,665
Total	$ 48,579,235	$ 18,014,539	$ 10,689,009	$ 77,282,783

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3% of general fund operating expenditures, or two percent of General Fund expenditures and other financing uses.

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides health benefits to eligible retirees and their spouses based on agreements entered into with the South San Francisco Classroom Teachers Association (SSFCTA), and the local California Service Employees Association (CSEA). These agreements require the District to provide postemployment health care benefits up to $3,800 annually to all certificated employees and $4,000 annually to all classified employees who retire from the District on or after attaining the age of 55, with at least 10 years of service. Participants to the Plan include 427 retirees and their beneficiaries currently receiving benefits, and 711 active employees eligible for these benefits in a future period.

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits	422
Active plan members	846
Total*	1,268
Number of participating employers	1

*As of January 1, 2013 actuarial study

B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the SSFCTA, and CSEA. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually through the agreements between the District and the SSFCTA, and CSEA. For year ended June 30, 2014, the District contributed $601,846 to the Plan, all of which was used for current premiums.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$	1,657,002
Interest on net OPEB obligation		65,158
Adjustment to annual required contribution		(97,649)
Annual OPEB cost (expense)		1,624,511
Contributions made		(601,846)
Increase (decrease) in net OPEB obligation		1,022,665
Net OPEB obligation, beginning of the year		1,447,964
Net OPEB obligation, end of the year	$	2,470,629

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

Year Ended June 30,		Annual OPEB Cost	Percentage Contributed		Net OPEB Obligation
2014	$	1,624,511	37%	$	2,470,629
2013	$	954,899	66%	$	1,447,964
2012	$	962,542	65%	$	1,119,378

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	$ -	$ 12,163,443	$ 12,163,443	0%	$ 48,926,222	25%

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 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.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return per year (net of administrative expenses), based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The UAAL is being amortized as a level percentage of payroll over a period of 30 years. The remaining amortization period at June 30, 2014, was 26 years. An investment rate of return of 5.0% and inflation rate of 3.0% were used. The actuarial value of assets was not determined in this actuarial valuation as there were none.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (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 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% of their salary for fiscal year 2014 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 year 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 2,902,757	100%
2012-13	$ 2,873,838	100%
2011-12	$ 2,803,357	100%

On-Behalf Payments
The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,768,324 to CalSTRS (5.204% of 2011-12 creditable compensation subject to CalSTRS).

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 2,035,926	100%
2012-13	$ 2,028,943	100%
2011-12	$ 1,916,441	100%

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. 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, 2014.

B. Litigation

The District is involved in various litigation arising from 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, 2014.

C. Construction Commitments

As of June 30, 2014, the District had commitments with respect to unfinished capital projects of $59,697.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in a joint venture under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts.

The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

During the year ended June 30, 2014, the District made payments of $1,644,299 to SMCSIG.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 85,734,219
Restatement	(603,738)
Net Position - Beginning, as Restated	$ 85,130,481

NOTE 15– SUBSEQUENT EVENT

On September 4, 2014 the District issued General Obligation Bonds in the amount of $7,000,000 for construction. The bonds bear interest from 0.320% to 2.00% and mature on September 1, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 59,525,543	$ 69,417,914	$ 67,683,294	$ (1,734,620)
Federal sources	3,140,781	3,548,041	3,056,417	(491,624)
Other state sources	6,097,713	4,971,686	5,151,698	180,012
Other local sources	1,607,519	2,578,525	2,688,224	109,699
Total Revenues	70,371,556	80,516,166	78,579,633	(1,936,533)
EXPENDITURES				
Certificated salaries	35,439,667	35,505,655	35,105,821	399,834
Classified salaries	10,378,310	10,850,828	10,669,950	180,878
Employee benefits	12,712,336	12,295,185	11,831,014	464,171
Books and supplies	3,682,736	4,414,278	2,513,629	1,900,649
Services and other operating expenditures	5,678,155	7,073,551	6,236,148	837,403
Capital outlay	300,000	394,703	392,757	1,946
Other outgo				
Excluding transfers of indirect costs	4,237,354	4,237,534	4,022,048	215,486
Transfers of indirect costs	(196,288)	(175,701)	(165,337)	(10,364)
Total Expenditures	72,232,270	74,596,033	70,606,030	3,990,003
Excess (Deficiency) of Revenues				
Over Expenditures	(1,860,714)	5,920,133	7,973,603	2,053,470
Other Financing Sources (Uses)				
Transfers in	26,600	31,033	32,708	1,675
Transfers out	(1,819,603)	(2,172,915)	(1,997,245)	175,670
Net Financing Sources (Uses)	(1,793,003)	(2,141,882)	(1,964,537)	177,345
NET CHANGE IN FUND BALANCE	(3,653,717)	3,778,251	6,009,066	2,230,815
Fund Balance - Beginning	36,494,268	36,494,268	36,494,268	-
Fund Balance - Ending	$ 32,840,551	$ 40,272,519	$ 42,503,334	$ 2,230,815

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of $1,768,324 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund, Deferred Maintenance Fund and Special Reserve Fund for Other than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	$ -	$ 12,163,443	$ 12,163,443	0%	$ 48,926,222	25%
January 1, 2011	$ -	$ 12,289,900	$ 12,289,900	0%	$ 46,046,200	27%
January 1, 2009	$ -	$ 11,718,000	$ 11,718,000	0%	$ 45,002,000	26%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2014, the District did not incur expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

SUPPLEMENTARY INFORMATION

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic School Support	84.010	14416	$ 537,639
Title I, Part C Cluster			
Title I, Part C, Migrant Education	84.011	14838	70,786
Title I, Part C, Migrant Education Summer Program	84.011	14955	22,750
Subtotal Title I, Part C Cluster			93,536
Title I, Part B, Reading First Program	84.357	14328	
Adult Education: Adult Basic Education & ESL	84.002A	14508	166,400
Adult Education: Adult Secondary Education	84.002A	13978	60,405
Adult Education: English Literacy and Civics Education	84.002A	14109	30,875
Title II, Part A, Teacher Quality	84.367A	14341	223,207
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	368,743
Title III, Immigrant Education Porgram	84.365	15146	31,844
Subtotal Title III Cluster			400,587
Department of Rehab: Workability II, Transition Partnership	84.158	10006	76,167
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,940,916
Part B, Preschool Grants	84.173	13430	40,261
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	74,877
Preschool Staff Development	84.173A	13431	469
Subtotal Special Education Cluster			2,056,523
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	41,402
Total U. S. Department of Education			3,686,741
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	181,568
National School Lunch Program	10.555	13391	1,362,945
USDA Commodities	10.555	*	147,084
Subtotal Child Nutrition Cluster			1,691,597
Child Care Food Program (CCFP)	10.558	13666	64,677
Total U. S. Department of Agriculture			1,756,274
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Education:			
Child Development: Federal Child Care, Center Based	93.576	15136	227,319
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	31,382
Total U. S. Department of Health & Human Services			258,701
Total Federal Expenditures			$ 5,701,716

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2014

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	2,691.41	2,691.81
Total TK/K through Third	2,691.41	2,691.81
Fourth through Sixth		
Regular ADA	1,972.82	1,971.85
Special Education	2.70	2.73
Total Fourth through Sixth	1,975.52	1,974.58
Seventh through Eighth		
Regular ADA	1,306.48	1,304.32
Special Education	10.82	10.84
Community Day School	1.43	1.83
Total Seventh through Eighth	1,318.73	1,316.99
Ninth through Twelfth		
Regular ADA	2,876.00	2,864.40
Special Education	59.01	58.97
Community Day School	7.87	7.33
Total Ninth through Twelfth	2,942.88	2,930.70
TOTAL SCHOOL DISTRICT	8,928.54	8,914.08

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2013-14 Actual Minutes	Number of Days	Status
Kindergarten	36,000	35,000	46,640	180	Complied
Grade 1	50,400	49,000	52,120	180	Complied
Grade 2	50,400	49,000	52,120	180	Complied
Grade 3	50,400	49,000	52,120	180	Complied
Grade 4*	54,000	52,500	52,120	180	Not in Compliance
Grade 5*	54,000	52,500	52,120	180	Not in Compliance
Grade 6	54,000	52,500	61,185	180	Complied
Grade 7	54,000	52,500	61,185	180	Complied
Grade 8	54,000	52,500	61,185	180	Complied
Grade 9	64,800	63,000	64,820	180	Complied
Grade 10	64,800	63,000	64,820	180	Complied
Grade 11	64,800	63,000	64,820	180	Complied
Grade 12	64,800	63,000	64,820	180	Complied

* In Grades 4-5, the District used the weighted average method for calculating instructional minutes (See Finding #2014-5).

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

	2015 (Budget)	2014	2013	2012
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 76,962,639	$ 78,612,341	$ 88,580,382	$ 73,893,169
Expenditures And Other Financing Uses	77,299,068	72,603,275	69,410,605	70,399,849
Net change in Fund Balance	$ (336,429)	$ 6,009,066	$ 19,169,777	$ 3,493,320
Ending Fund Balance	$ 42,166,905	$ 42,503,334	$ 36,494,268	$ 17,324,490
Available Reserves*	$ 19,330,992	$ 23,882,653	$ 22,194,162	$ 5,343,470
Available Reserves As A Percentage Of Outgo	25.01%	32.89%	31.98%	7.59%
Long-term Debt	$ 126,374,289	$ 130,799,823	$ 132,663,749	$ 100,878,082
Average Daily Attendance At P-2	8,972	8,929	8,959	9,087

The General Fund balance has increased by $25,178,844 over the past two years. The fiscal year 2014-15 budget projects a decrease of $336,429. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long term obligations have increased by $29,921,741 over the past two years.

Average daily attendance has decreased by 158 ADA over the past two years. An increase of 43 ADA is anticipated during the 2014-15 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund, the Deferred Maintenance Fund and the Special Reserve for Other than Capital Outlay Projects funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

On behalf payments of $1,768,324 are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Special Reserve Other Than Capital Outlay Projects Fund
June 30, 2014, annual financial and budget report fund balance	$ 42,503,334	$ 1,199,779	$ 2,899,586	$ 1,976,536
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Fund balance transfer (GASB 54)	6,075,901	(1,199,779)	(2,899,586)	(1,976,536)
Net adjustments and reclassifications	6,075,901	(1,199,779)	(2,899,586)	(1,976,536)
June 30, 2014, audited financial statement fund balance	$ 48,579,235	$ -	$ -	$ -

See accompanying note to supplementary information.

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014

The District is not sponsoring local educational agency for any charter schools.

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	$ 689,430	$ 1,441,410	$ 518,770	$ 154	$ 1,518	$ 796,499	$ 6,901,614	$ 10,349,395
Investments	156,726	-	-	-	-	157,131	-	313,857
Accounts receivable	113,982	37,529	859	-	3	2,005	10,217	164,595
Due from other funds	118	14,378	-	-	-	255,989	-	270,485
Stores inventory	-	47,141	-	-	-	-	-	47,141
Prepaid expenditures	900	33,884	131,038	-	-	-	-	165,822
Total Assets	$ 961,156	$ 1,574,342	$ 650,667	$ 154	$ 1,521	$ 1,211,624	$ 6,911,831	$ 11,311,295
LIABILITIES								
Accrued liabilities	$ 32,911	$ 2,236	$ -	$ -	$ -	$ 208,650	$ -	$ 243,797
Due to other funds	213,796	150,518	-	154	1,521	-	-	365,989
Unearned revenue	5,000	-	-	-	-	7,500	-	12,500
Total Liabilities	251,707	152,754	-	154	1,521	216,150	-	622,286
FUND BALANCES								
Non-spendable	900	81,102	131,038	-	-	-	-	213,040
Restricted	669,622	1,340,486	519,629	-	-	995,474	6,911,831	10,437,042
Assigned	38,927	-	-	-	-	-	-	38,927
Total Fund Balances	709,449	1,421,588	650,667	-	-	995,474	6,911,831	10,689,009
Total Liabilities and Fund Balance	$ 961,156	$ 1,574,342	$ 650,667	$ 154	$ 1,521	$ 1,211,624	$ 6,911,831	$ 11,311,295

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	$ 227,319	$ 1,756,274	$ -	$ -	$ -	$ -	$ 355	$ 1,983,948
Other state sources	563,186	118,415	-	-	-	-	30,695	712,296
Other local sources	1,099,933	698,114	152,593	101	998	34,398	5,009,326	6,995,463
Total Revenues	1,890,438	2,572,803	152,593	101	998	34,398	5,040,376	9,691,707
EXPENDITURES								
Current								
Instruction	1,227,364	-	-	-	-	-	-	1,227,364
Instruction-related services								
Instructional supervision and administration	1,737	-	-	-	-	-	-	1,737
School site administration	365,398	-	-	-	-	-	-	365,398
Pupil services								
Food services	-	2,264,286	-	-	-	-	-	2,264,286
General administration								
All other general administration	74,117	91,221	-	-	-	-	-	165,338
Plant services	76,552	-	12,179	-	-	-	-	88,731
Facilities acquisition and maintenance	-	-	-	-	-	2,183,462	-	2,183,462
Debt service								
Principal	-	76,112	115,000	-	-	-	3,004,042	3,195,154
Interest and other	-	22,187	24,944	-	-	-	2,913,443	2,960,574
Total Expenditures	1,745,168	2,453,806	152,123	-	-	2,183,462	5,917,485	12,452,044
Excess (Deficiency) of Revenues Over Expenditures	145,270	118,997	470	101	998	(2,149,064)	(877,109)	(2,760,337)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	952,245	-	952,245
Transfers out	(31,033)	-	-	(154)	(1,521)	-	-	(32,708)
Net Financing Sources (Uses)	(31,033)	-	-	(154)	(1,521)	952,245	-	919,537
NET CHANGE IN FUND BALANCE	114,237	118,997	470	(53)	(523)	(1,196,819)	(877,109)	(1,840,800)
Fund Balance - Beginning	595,212	1,302,591	650,197	53	523	2,192,293	7,788,940	12,529,809
Fund Balance - Ending	$ 709,449	$ 1,421,588	$ 650,667	$ -	$ -	$ 995,474	$ 6,911,831	$ 10,689,009

See accompanying note to supplementary information.

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2014 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2014.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 5,298,045
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	403,671
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 5,701,716

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

This 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 46208. During the year ended June 30, 2014, the District participated in the Longer Day incentive funding program. As of June 30, 2014, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section* 46201.2.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

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. (Located in the front of the audit report)

OTHER INDEPENDENT AUDITORS' REPORTS

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

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*

Independent Auditors' Report

Governing Board
South San Francisco Unified School District
South San Francisco, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South San Francisco Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the South San Francisco Unified School District's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South San Francisco Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South San Francisco Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South San Francisco Unified School District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2014-1, #2014-2)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South 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*.

South San Francisco Unified School District's Response to Findings

South San Francisco Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. South San Francisco Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 9, 2014

Christy White, CPA
Michael Ash, CPA
Tanya M. Rogers, CPA, CFE
John Whitehouse, CPA
Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited South San Francisco Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South San Francisco Unified School District's major federal programs for the year ended June 30, 2014. South San Francisco Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South San Francisco Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 South 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 on compliance for each major federal program. However, our audit does not provide a legal determination of South San Francisco Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, South San Francisco Unified School District complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of South San Francisco Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South San Francisco Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 South 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 9, 2014

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on State Compliance

We have audited South San Francisco Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of South San Francisco Unified School District's state programs for the fiscal year ended June 30, 2014, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South San Francisco Unified School District's state programs based on our audit of the types of compliance requirements referred to above. 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 the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about South 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 on compliance with the requirements referred to above. However, our audit does not provide a legal determination of South San Francisco Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, South San Francisco Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2014-3, #2014-4 and #2014-5. Our opinion on state compliance is not modified with respect to this matter.

South San Francisco Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. South San Francisco Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine South San Francisco Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time for school districts	10	Yes
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
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes

Procedures Performed

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance; for charter schools	8	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for independent study because ADA was below the required threshold for testing.

Christy White Associates

San Diego, California
December 9, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program of Cluster
84.027, 84.173, 84.027, 84.027A, 84.173A	Special Education Cluster
84.365	Title III Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2014-1 ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meeting reduce the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Parkway Heights Middle School

- 3 out of 10 cash disbursements appear to be questionable or inappropriate.
- 3 out of 10 cash receipts are lacking adequate supporting documentation.

El Camino High School

- 1 out of 10 cash disbursements appears to be questionable or inappropriate.
- 5 out of 10 cash receipts are lacking adequate supporting documentation.

Cause: Insufficient controls over student body activities.

Effect: The effect, or potential effect, on the ASBs is there is an increased likelihood of misappropriation of assets and potential fraud.

Perspective: Testing internal controls related to the Associated Student Body.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: Funds derived from donations for questionable or inappropriate accounts in ASB have been transferred to the site discretionary fund. The District has hired one site Account Tech in the 2014-15 fiscal year to be responsible for the three middle schools and one for El Camino High, and one for South San Francisco High.

FINDING #2014-2: CASH RECEIPTS – FACILITIES USE (30000)

Criteria: Maintaining sound internal control over cash receipts reduce the opportunities for irregularities to occur.

Condition: Through our testing of facility use fees, we noted the following internal control deficiencies:

- The record keeping, custody of assets, and monitoring duties are all performed by one employee.

Cause: Insufficient controls over cash receipts.

Effect: The effect or potential effect of the facility use collection process is an increased likelihood of misappropriation of assets and potential for fraud.

Perspective: Testing cash receipts related to facility use fees.

Recommendation: The District office should have access to the facilities use collection system and perform monitoring, reconciling, and aging reports for the facilities use fee collections.

District Response: The District will implement a system of check and balances to ensure that facility use fees are monitored by the accounting department.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2014.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2014-3: ATTENDANCE (10000)

Criteria: Absent notes and other source documents should be correctly posted to the District's attendance system per Education Code Section 46000 et seq.

Condition: After reviewing absent notes at several school sites in the District, auditor noted that some students who were absent are being incorrectly recorded in the attendance system as present. Auditor also noted missing signed teacher roster reports.

Context: Through our testing of the school sites attendance record keeping, we noted the following internal control deficiencies:

Los Cerritos Elementary School

- 1 out of 20 of the weekly signed reports tested was not found.

Spruce Elementary School

- 1 out of 20 teacher signed weekly reports was not found.

Parkway Heights Middle School

- 1 out of 20 students tested was incorrectly recorded as "present "in the system.
- 1 out of 24 teacher signed weekly reports was not found.

El Camino High School

- 1 out of 28 teacher signed weekly reports were not found.

Cause: This appears to be a procedural issue with regards to the recording of absent notes and the monitoring of attendance data reported.

FINDING #2014-3: ATTENDANCE (10000) (CONTINUED)

Effect: Overstatement of attendance.

Question Costs: The LCFF Funding before Minimum State Aid is less than the property taxes received by the District, thus the fiscal impact is zero ($0), due to the new funding model. The District cannot receive any less state aid to meet than the minimum requirements.

District Response: The District will revise P-2 and work on training the attendance clerks.

FINDING #2014-4: ATTENDANCE- INDEPENDENT STUDY (10000)

Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent or guardian, and a certificated employee prior to the commencement of independent study (Education Code Section 51747(c)(8)).

Condition: After reviewing attendance related to independent study we noted missing signatures and incomplete independent study forms.

Context: Through our testing of the school sites attendance record keeping, we noted the following internal control deficiencies:

Los Cerritos Elementary School

- 2 out of 2 of the independent study contracts was missing dates on the contract and missing proper approvals.

Monte Verde Elementary School

- 2 out of the 3 independent study contracts were missing a student signature.

Cause: This appears to be a procedural issue with regards to the recording of absent notes and the monitoring of attendance data reported.

Effect: Overstatement of independent study attendance.

Question Costs: The LCFF Funding before Minimum State Aid is less than the property taxes received by the District, thus the fiscal impact is zero ($0), due to the new funding model. The District cannot receive any less state aid to meet than the minimum requirements.

District Response: The District will revise P-2 and work on training the attendance clerks.

FINDING #2014-5: INSTRUCTIONAL MINUTES (40000)

Criteria: The lowest reported instructional minutes per grade level from each school site should meet the minimum required minutes for the fiscal year according to Education Code 46201.

Condition: After reviewing total calculated instructional minutes, auditor noted that grades level 4 and 5 were below the required minutes for the fiscal year 2013-14 by 380 minutes annually.

Context: Through our testing of the school site calculated minutes, we noted the following grade level deficiencies in grade levels 4 and 5.

Cause: This District was still using the average method which is no longer allowable under the new Education Code.

Effect: The District is not compliance with Education Code.

Question Costs: The LCFF Funding before Minimum State Aid is less than the property taxes received by the District, thus the fiscal impact is zero ($0), due to the new funding model. The District cannot receive any less state aid to meet than the minimum requirements.

District Response: The change occurred after the School year started. The District will revise the 2014-15 minutes to comply.

FINDING #2013-1: ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Alta Loma Middle School

- 7 of 10 deposits were not supported by documentation to reconcile collection activity to the amount collected (tally sheet, itemized receipts, etc).

South San Francisco High School

- 5 of 10 deposits did not have adequate supporting documentation available to reconcile the amount of cash deposited with the amount of cash received.
- 4 out of 10 disbursements did not have proper approvals from students or faculty members.
- 2 out of 10 disbursement selections did not have any supporting documentation available for review.

Cause: Insufficient controls over student body activities.

Effect: The effect, or potential effect, on the ASBs is there is an increased likely hood of misappropriation of assets and potential for fraud.

Perspective: Testing internal controls related to the Associated Student Body.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

FINDING #2013-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

District Response: An ASB procedures policy was distributed as part of the Business Services Procedures Manual to site principals and bookkeepers for the school year. The manual included a deposit summary/reconciliation form for sites to use. District will also distribute the full FCMAT ASB manual to all sites.

The District Office is offering ongoing support help and monitoring to sites.

Two site accounting technicians with accounting work experience were hired for El Camino and South San Francisco high schools.

Phase 1 of the District's response to ASB findings in fiscal year 2011-12 is completed. Phase 2 is in the implementation stage. An ASB Procedures Policy was distributed to sites for school year 2013-14. A one bank system is planned for December 2013/January 2014.

Status: Partially implemented see finding 2014-1.

FINDING #2013-2 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (30000)

Criteria: In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, an actuarial study is required at least biennially for other postemployment benefit (OPEB) plans with a total membership of 200 or more. The actuarial study enables the District to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

Condition: The District's most recent actuarial study is dated January 1, 2011. As of June 30, 2013, the District was not in compliance with the biannual requirement for its actuarial study.

Perspective: Testing the OPEB liability by obtaining the actuarial study pertaining to the period under audit.

Cause: The District is on a cycle of obtaining an updated actuarial study that does not meet the biennial requirement.

Effect: The District is not in compliance with the requirement of GASB Statement No. 45. The recent actuarial study may not properly estimate the District's OPEB liability as of June 30, 2013.

Recommendation: We recommend that the District obtain a new actuarial study on its OPEB obligation and adjust its scheduling of its actuarial study preparation to be meet requirements outlined in GASB Statement No. 45.

District Response: The District has requested an actuarial study to estimate the District's OPEB liability to meet the requirements outlined in GASB Statement No. 54.

Status: Implemented.