

**SOUTH SAN FRANCISCO UNIFIED
SCHOOL DISTRICT**

AUDIT REPORT

JUNE 30, 2012

(This page intentionally left blank)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
OF SAN MATEO COUNTY**

SOUTH SAN FRANCISCO, CALIFORNIA

JUNE 30, 2012

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
Judith Bush	President	November 2012
Philip Weise	Vice President	November 2014
Liza Normandy	Clerk	November 2014
Shirlee Hoch	Member	November 2014
Maurice Goodman	Member	November 2012

DISTRICT ADMINISTRATORS

Alejandro Hogan
Superintendent

Jacqueline McEvoy, Ed.D.
Assistant Superintendent, Human Resources and Student Services

Shawnterra Moore Thomas, Ed.D.
Assistant Superintendent, Educational Services and Categorical Programs

Patricia Ernsberger
Assistant Superintendent, Business Services

(This page intentionally left blank)

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Fiduciary Funds – Statement of Net Assets.....	18
Fiduciary Funds – Statement of Changes in Net Assets.....	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	48
Schedule of Funding Progress	49
Notes to Required Supplementary Information.....	50

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	51
Schedule of Average Daily Attendance (ADA).....	52
Schedule of Instructional Time.....	53
Schedule of Financial Trends and Analysis.....	54
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	55
Schedule of Charter Schools	56
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	58
Notes to Supplementary Information.....	59

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	62
Independent Auditors' Report on State Compliance	64

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	67
Financial Statement Findings.....	68
Federal Award Findings and Questioned Costs.....	70
State Award Findings and Questioned Costs.....	71
Summary Schedule of Prior Audit Findings	74

FINANCIAL SECTION

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board

South San Francisco Unified School District

South San Francisco, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South San Francisco Unified School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South San Francisco Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South San Francisco Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2012 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* and should be considered in assessing the results of our audit.

SAN DIEGO

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

RANCHO CUCAMONGA

8686 Haven Avenue
Suite 250
Rancho Cucamonga, CA 91730

ALAMEDA

1050 Marina Village Parkway
Suite 201
Alameda, CA 94501

tel: 619.270.8222

fax: 619.260.9085

www.cwacpa.com

Licensed by the California
State Board of Accountancy

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 3 through 10, the budgetary comparison information on page 48, and the schedule of funding progress on page 49 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.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Christy White Associates

San Diego, California
December 15, 2012

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

INTRODUCTION

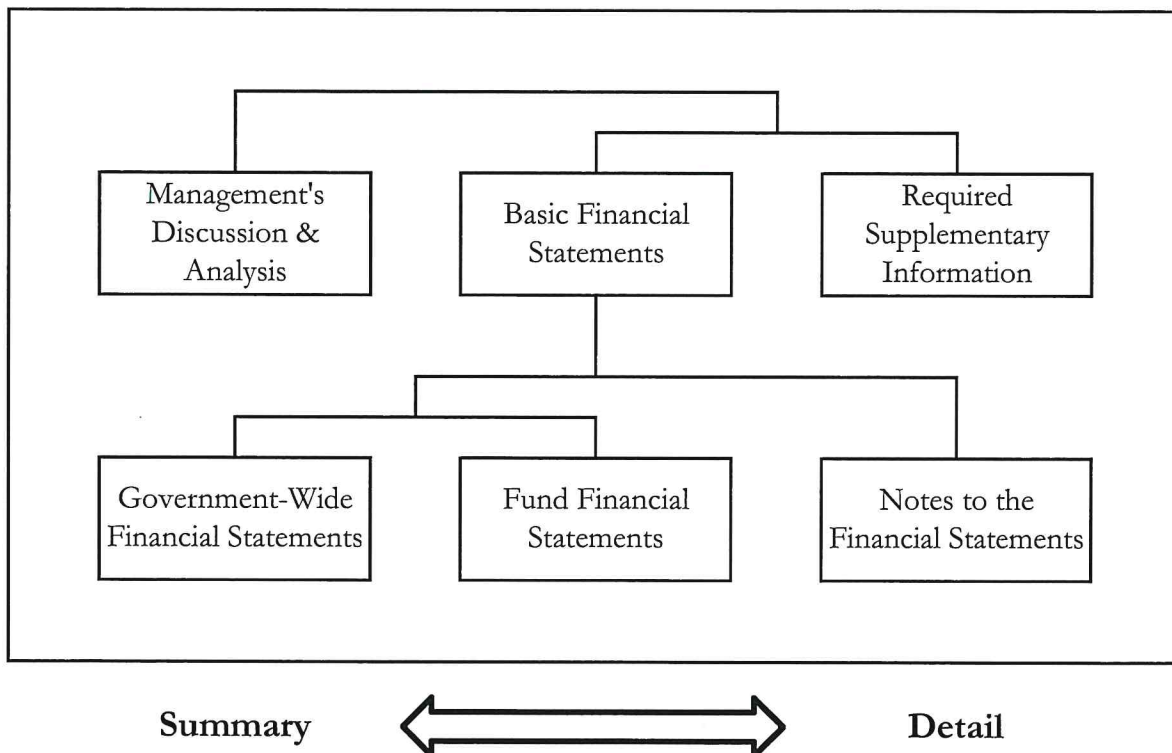
Our discussion and analysis of South San Francisco Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$68,003,406 at June 30, 2012. This was an increase of \$1,975,334 from the prior year.
- Overall revenues were \$83,412,945 which exceeded expenses of \$81,437,611.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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 assets 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 assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets 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. Revenue limit funding and federal and state grants finance most of these activities.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$68,003,406 at June 30, 2012. Of this amount, \$19,924,936 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

	Governmental Activities		
	2012	2011	Net Change
ASSETS			
Current and other assets	\$ 75,880,014	\$ 64,990,821	\$ 10,889,193
Capital assets	95,489,843	85,151,290	10,338,553
Total Assets	171,369,857	150,142,111	21,227,746
LIABILITIES			
Current liabilities	4,161,099	45,206,630	41,045,531
Long-term liabilities	99,205,352	38,788,401	(60,416,951)
Total Liabilities	103,366,451	83,995,031	(19,371,420)
NET ASSETS			
Invested in capital assets, net of related debt	40,375,493	48,278,286	(7,902,793)
Restricted	7,702,977	6,084,863	1,618,114
Unrestricted	19,924,936	11,783,931	8,141,005
Total Net Assets	\$ 68,003,406	\$ 66,147,080	\$ 1,856,326

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

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		
	2012	2011	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,539,464	\$ 1,599,661	\$ (60,197)
Operating grants and contributions	11,338,688	9,701,355	1,637,333
Capital grants and contributions	-	97,961	(97,961)
General revenues			
Property taxes	60,869,532	58,237,028	2,632,504
Unrestricted federal and state aid	7,340,768	7,914,305	(573,537)
Other	2,324,493	1,832,829	491,664
Total Revenues	83,412,945	79,383,139	4,029,806
EXPENSES			
Instruction	43,167,487	43,718,825	(551,338)
Instruction-related services	7,875,626	7,614,180	261,446
Pupil services	9,810,392	9,419,971	390,421
General administration	3,459,695	3,666,640	(206,945)
Plant services	7,007,595	7,359,181	(351,586)
Ancillary and community services	36,138	34,318	1,820
Debt service	1,398,338	2,084,016	(685,678)
Other Outgo	3,712,266	4,024,419	(312,153)
Depreciation	4,970,074	4,996,254	(26,180)
Total Expenses	81,437,611	82,917,804	(1,480,193)
Change in net assets	1,975,334	(3,534,665)	5,509,999
Net Assets - Beginning	66,147,080	69,681,745	(3,534,665)
Prior Period Adjustment	(119,008)	-	(119,008)
Net Assets - Ending	\$ 68,003,406	\$ 66,147,080	\$ 1,856,326

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The cost of all our governmental activities this year was \$81,437,611. The amount that our taxpayers ultimately financed for these activities through taxes was only \$60,869,532 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	<u>Total cost of services</u>	<u>Net cost of services</u>
Instruction	\$ 43,167,487	\$ 36,538,718
Instruction-related services	7,875,626	7,018,249
Pupil services	9,810,392	5,866,050
General administration	3,459,695	2,996,949
Plant services	7,007,595	6,720,904
Ancillary and community services	36,138	36,138
Debt service	1,398,338	1,398,338
Transfers to other agencies	3,712,266	3,014,039
Depreciation	4,970,074	4,970,074
Total Expenses	<u>\$ 81,437,611</u>	<u>\$ 68,559,459</u>

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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 \$72,927,315. The District's General Fund had \$4,370,499 more in operating revenues than expenditures for the year ended June 30, 2012.

CURRENT YEAR BUDGET 2011-12

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 2011-12 the District had invested \$95,489,843 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2012	2011	Net Change
CAPITAL ASSETS			
Land	\$ 4,305,189	\$ 4,305,189	\$ -
Construction in progress	19,564,501	4,689,464	14,875,037
Land improvements	3,751,870	3,502,513	249,357
Buildings & improvements	124,218,853	124,218,853	-
Furniture & equipment	6,006,767	5,901,543	105,224
Accumulated depreciation	(62,357,337)	(57,466,272)	(4,891,065)
Total Capital Assets	\$ 95,489,843	\$ 85,151,290	\$ 10,338,553

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$100,878,082 in long-term debt, an increase of 160% 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		
	2012	2011	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 41,618,746	\$ 35,400,000	\$ 6,218,746
Total certificates of participation	1,276,931	1,456,238	(179,307)
Bond Anticipation Notes	56,001,757	-	56,001,757
Early retirement incentive	237,758	498,433	(260,675)
Compensated absences	623,512	637,477	(13,965)
EPA Loan	-	16,766	(16,766)
Net OPEB obligation	1,119,378	779,487	339,891
Total Long-term Liabilities	\$100,878,082	\$ 38,788,401	\$ 62,089,681

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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.

- At the state level, the budget situation continues to reflect challenging economic times. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and a rival tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 spending will remain flat at roughly the 2011-12 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- 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 2012-13 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 ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 70,575,809
Investments	419,983
Accounts receivable	3,804,038
Inventory	159,904
Prepaid expenses	455,950
Deferred charges	464,330
Capital assets, not depreciated	23,869,690
Capital assets, net of accumulated depreciation	71,620,153
Total Assets	171,369,857
LIABILITIES	
Accrued liabilities	2,323,898
Deferred revenue	164,471
Long-term liabilities, current portion	1,672,730
Long-term liabilities, non-current portion	99,205,352
Total Liabilities	103,366,451
NET ASSETS	
Invested in capital assets, net of related debt	40,375,493
Restricted for	
Capital projects	3,344,679
Debt service	2,837,384
Educational programs	1,520,914
Unrestricted	19,924,936
Total Net Assets	\$ 68,003,406

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, 2012

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 43,167,487	\$ 87,710	\$ 6,541,059	\$ (36,538,718)
Instruction-related services				
Instructional supervision and administration	919,502	2,328	92,607	(824,567)
Instructional library, media, and technology	1,360,087	-	17,418	(1,342,669)
School site administration	5,596,037	9,045	735,979	(4,851,013)
Pupil services				
Home-to-school transportation	1,083,396	-	300,498	(782,898)
Food services	2,140,568	676,022	1,513,514	48,968
All other pupil services	6,586,428	22,033	1,432,275	(5,132,120)
General administration				
Centralized data processing	78,718	-	-	(78,718)
All other general administration	3,380,977	39,343	423,403	(2,918,231)
Plant services	7,007,595	4,756	281,935	(6,720,904)
Community services	36,138	-	-	(36,138)
Interest on long-term debt	1,398,338	-	-	(1,398,338)
Other Outgo	3,712,266	698,227	-	(3,014,039)
Depreciation (unallocated)	4,970,074	-	-	(4,970,074)
Total Governmental Activities	\$ 81,437,611	\$ 1,539,464	\$ 11,338,688	(68,559,459)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				56,826,370
Property taxes, levied for debt service				3,361,781
Property taxes, levied for other specific purposes				681,381
Federal and state aid not restricted for specific purposes				7,340,768
Interest and investment earnings				522,699
Miscellaneous				1,801,794
Subtotal, General Revenue				70,534,793
CHANGE IN NET ASSETS				1,975,334
Net Assets - Beginning				66,147,080
Prior Period Adjustment				(119,008)
Net Assets - Ending				\$ 68,003,406

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 19,487,657	\$ 44,450,008	\$ 2,823,695	\$ 3,814,449	\$ 70,575,809
Investments	122,271	-	-	297,712	419,983
Accounts receivable	3,391,984	62,445	13,689	335,920	3,804,038
Due from other funds	308,922	-	-	688,701	997,623
Stores inventory	95,081	-	-	64,823	159,904
Prepaid expenditures	321,575	-	-	134,375	455,950
Total Assets	\$ 23,727,490	\$ 44,512,453	\$ 2,837,384	\$ 5,335,980	\$ 76,413,307
LIABILITIES					
Accrued liabilities	\$ 1,527,705	\$ 729,369	\$ -	\$ 66,824	\$ 2,323,898
Due to other funds	686,186	-	-	311,437	997,623
Deferred revenue	156,971	-	-	7,500	164,471
Total Liabilities	2,370,862	729,369	-	385,761	3,485,992
FUND BALANCES					
Nonspendable	120,081	-	-	64,823	184,904
Restricted	-	43,783,084	2,837,384	4,865,593	51,486,061
Assigned	12,842,327	-	-	19,803	12,862,130
Unassigned	8,394,220	-	-	-	8,394,220
Total Fund Balances	21,356,628	43,783,084	2,837,384	4,950,219	72,927,315
Total Liabilities and Fund Balances	\$ 23,727,490	\$ 44,512,453	\$ 2,837,384	\$ 5,335,980	\$ 76,413,307

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2012

Total Fund Balance - Governmental Funds	\$ 72,927,315
--	----------------------

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 157,847,180	
Accumulated depreciation	<u>(62,357,337)</u>	95,489,843

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:

464,330

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 41,618,746	
Total certificates of participation	1,276,931	
Bond Anticipation Notes	56,001,757	
Early retirement incentive	237,758	
Compensated absences	623,512	
Net OPEB obligation	<u>1,119,378</u>	(100,878,082)

Total Net Assets - Governmental Activities	\$ <u>68,003,406</u>
---	-----------------------------

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, 2012

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 56,584,184	\$ -	\$ -	\$ -	\$ 56,584,184
Federal sources	5,758,745	-	232	1,728,167	7,487,144
Other state sources	11,055,898	-	21,328	707,117	11,784,343
Other local sources	2,404,791	253,455	2,824,068	2,074,960	7,557,274
Total Revenues	75,803,618	253,455	2,845,628	4,510,244	83,412,945
EXPENDITURES					
Current					
Instruction	41,872,728	-	-	1,283,288	43,156,016
Instruction-related services					
Instructional supervision and administration	818,202	-	-	1,300	819,502
Instructional library, media, and technology	1,302,335	-	-	-	1,302,335
School site administration	5,193,368	-	-	362,778	5,556,146
Pupil services					
Home-to-school transportation	1,083,396	-	-	-	1,083,396
Food services	-	-	-	2,140,568	2,140,568
All other pupil services	6,580,976	-	-	5,452	6,586,428
General administration					
Centralized data processing	78,718	-	-	-	78,718
All other general administration	3,437,904	-	-	203,476	3,641,380
Plant services	6,878,247	-	-	107,459	6,985,706
Facilities acquisition and maintenance	46,128	15,153,348	-	14,500	15,213,976
Community services	36,138	-	-	-	36,138
Transfers to other agencies	4,104,979	-	-	-	4,104,979
Debt service					
Principal	-	-	1,315,037	196,036	1,511,073
Interest and other	-	442,105	1,721,345	60,379	2,223,829
Total Expenditures	71,433,119	15,595,453	3,036,382	4,375,236	94,440,190
Excess (Deficiency) of Revenues					
Over Expenditures	4,370,499	(15,341,998)	(190,754)	135,008	(11,027,245)
Other Financing Sources (Uses)					
Transfers In	26,600	-	-	681,381	707,981
Other Sources	-	63,535,503	-	-	63,535,503
Transfers Out	(681,381)	-	-	(26,600)	(707,981)
Net Financing Sources (Uses)	(654,781)	63,535,503	-	654,781	63,535,503
NET CHANGE IN FUND BALANCE	3,715,718	48,193,505	(190,754)	789,789	52,508,258
Fund Balance - Beginning	15,737,692	(4,410,421)	3,028,138	6,182,656	20,538,065
Prior Period Adjustment	1,903,218	-	-	(2,022,226)	(119,008)
Fund Balance - Ending	\$ 21,356,628	\$ 43,783,084	\$ 2,837,384	\$ 4,950,219	\$ 72,927,315

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, 2012**

Net Change in Fund Balances - Governmental Funds	\$ 52,508,258
--	---------------

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:	\$ 15,308,899	
Depreciation expense:	<u>(4,970,074)</u>	10,338,825

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:

1,882,561

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(63,535,503)

Debt issue costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Issue costs incurred during the period:	\$ 464,330	
Issue costs amortized for the period:	<u>-</u>	464,330

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:

(272)

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 BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2012

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:

382,386

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:

13,965

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:

(339,891)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. This year, expenses incurred for early retirement incentives were:

260,675

Change in Net Assets of Governmental Activities

\$ 1,975,334

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Trust Fund	Agency Fund
	Private-Purpose	Student Body
	Trust Fund	Fund
ASSETS		
Cash and cash equivalents	\$ 459,450	\$ 696,643
Accounts receivable	1,038	-
Total Assets	460,488	\$ 696,643
LIABILITIES		
Due to student groups	-	\$ 696,643
Total Liabilities	-	\$ 696,643
NET ASSETS		
Unrestricted	460,488	
Total Net Assets	\$ 460,488	

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Trust Fund
	Private-Purpose
	Trust Fund
ADDITIONS	
Investment earnings	\$ 5,982
Other	500
Total Additions	6,482
DEDUCTIONS	
Other trust activities	2,200
Total Deductions	2,200
CHANGE IN NET ASSETS	4,282
Net Assets - Beginning	456,206
Net Assets - Ending	\$ 460,488

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Government-Wide Statements. The statement of net assets 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.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. 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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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*).

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. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

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:

Adult Education Fund: The fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Monies received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

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*).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (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*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

Special Reserve for Other Than Capital Outlay Projects: This fund exists primarily to provide for accumulation of general fund moneys for capital outlay purposes (*Education Code Section 42840*).

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*).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

Debt Service Fund for Blended Component Units: This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

All governmental-type activities of the District follow the FASB and AICPA pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. 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.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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, Liabilities, Fund Balance and Net Assets

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (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 assets, 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:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
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 assets.

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts

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

Fund Balance

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Liabilities, Fund Balance and Net Assets (*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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 69,251,455	\$ 459,450
Cash on hand and in banks	1,245,869	696,643
Cash with fiscal agent	53,126	-
Cash in revolving fund	25,359	-
Total cash and cash equivalents	\$ 70,575,809	\$ 1,156,093
Investments	\$ 419,983	-

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

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.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 \$70,006,479 and an amortized book value of \$69,710,905. The average weighted maturity for this pool is 1.6 years.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

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, 2012, 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, 2012, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government						
Categorical aid	\$ 887,237	\$ -	\$ -	\$ 225,513	\$ 1,112,750	\$ -
State Government						
Apportionment	-	-	-	38,520	38,520	-
Categorical aid	2,244,130	-	-	16,846	2,260,976	-
Lottery	231,154	-	-	-	231,154	-
Local Government						
Other local sources	29,463	62,445	13,689	55,041	160,638	1,038
Total	\$ 3,391,984	\$ 62,445	\$ 13,689	\$ 335,920	\$ 3,804,038	\$ 1,038

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,305,189	\$ -	\$ -	\$ 4,305,189
Construction in progress	4,689,464	14,875,037	-	19,564,501
Total Capital Assets not Being Depreciated	8,994,653	14,875,037	-	23,869,690
Capital assets being depreciated				
Land improvements	3,502,513	249,357	-	3,751,870
Buildings & improvements	124,218,853	-	-	124,218,853
Furniture & equipment	5,901,543	184,505	79,281	6,006,767
Total Capital Assets Being Depreciated	133,622,909	433,862	79,281	133,977,490
Less Accumulated Depreciation				
Land improvements	1,495,769	170,755	-	1,666,524
Buildings & improvements	52,220,702	4,313,051	-	56,533,753
Furniture & equipment	3,749,801	486,268	79,009	4,157,060
Total Accumulated Depreciation	57,466,272	4,970,074	79,009	62,357,337
Governmental Activities				
Capital Assets, net	\$ 85,151,290	\$ 10,338,825	\$ 272	\$ 95,489,843

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

	Due To Other Funds	Due From Other Funds		
		Non-Major Governmental Funds		Total
		General Fund		
General Fund		\$ -	\$ 686,182	\$ 686,182
Non-Major Governmental Funds		308,922	2,514	311,436
Total Due From Other Funds		\$ 308,922	\$ 688,696	\$ 997,618

Due from the General Fund to the Special Reserve for Capital Outlay Fund for RDA transfers	\$ 681,381
Due from the General Fund to the Child Development Fund for payment of goods and services	1,538
Due from the General Fund to the Cafeteria Fund for payment of goods and services	3,250
Due from the General Fund to the Cafeteria Fund for indirect costs	13
Due from the Child Development Fund to the General Fund for indirect costs	100,854
Due from the Child Development Fund to the General Fund for payment of services	926
Due from the Child Development Fund to the General Fund for health and welfare costs	85,750
Due from the Child Development Fund to the General Fund for state unemployment insurance	9,175
Due from the Child Development Fund to the Cafeteria Fund for payment of services	2,514
Due from the Cafeteria Fund to the General Fund for indirect costs	28,171
Due from the Cafeteria Fund to the General Fund for health and welfare costs	74,838
Due from the Cafeteria Fund to the General Fund for state unemployment insurance	7,291
Due from the Cafeteria Fund to the General Fund for payment of goods and services	1,917
Total	\$ 997,618

B. Operating Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following:

	Interfund Transfers Out	Interfund Transfers In		
		Non-Major Governmental Funds		Total
		General Fund		
General Fund		\$ -	\$ 681,381	\$ 681,381
Non-Major Fund		26,600	-	26,600
Total Interfund Transfers		\$ 26,600	\$ 681,381	\$ 707,981

The General Fund transferred RDA revenue to the Special Reserve for Capital Outlay in the amount of	\$ 681,381
The Child Development Fund transferred rental income to the General Fund in the amount of	26,600
Total	\$ 707,981

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Payroll	\$ 64,632	\$ -	\$ 16,718	\$ 81,350
Construction	-	729,369	-	729,369
Vendors payable	1,463,073	-	50,106	1,513,179
Total	\$ 1,527,705	\$ 729,369	\$ 66,824	\$ 2,323,898

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
State categorical sources	\$ 134,771	\$ -	\$ 134,771
Local deferrals	22,200	7,500	29,700
Total	\$ 156,971	\$ 7,500	\$ 164,471

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 28, 2011, the District issued \$8,005,000 of Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on April 30, 2012. By June 30, 2012, the District had paid off the notes leaving no outstanding balance.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 consisted of the following:

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 35,400,000	\$ 7,000,000	\$ 1,315,000	\$ 41,085,000	\$ 1,490,000
Unamortized premium	-	533,746	-	533,746	-
Total general obligation bonds	35,400,000	7,533,746	1,315,000	41,618,746	1,490,000
Certificates of participation	1,456,238	-	179,307	1,276,931	182,730
Bond Anticipation Notes	-	56,001,757	-	56,001,757	-
Early retirement incentive	498,433	-	260,675	237,758	-
Compensated absences	637,477	-	13,965	623,512	-
EPA Loan	16,766	-	16,766	-	-
Net OPEB obligation	779,487	339,891	-	1,119,378	-
Total	\$ 38,788,401	\$ 63,875,394	\$ 1,785,713	\$ 100,878,082	\$ 1,672,730

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2012 amounted to \$623,512. 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. The District's resultant outstanding bonded indebtedness carried on the financial statements amounted to \$36,825,170, as of the date of the refunding.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds		
					Outstanding July 01, 2011	Additions	Deductions	Outstanding June 30, 2012	Balance Due In One Year	
2006 Refunding Bond	1/1/2006	9/1/2023	4.00% - 5.25%	39,035,000	\$ 35,400,000	\$ -	\$ 1,315,000	\$ 34,085,000	\$ 1,490,000	
2012 Series A	5/23/2012	9/1/2016	0.32% - 3.00%	7,000,000	-	7,000,000	-	7,000,000	-	
					\$ 35,400,000	\$ 7,000,000	\$ 1,315,000	\$ 41,085,000	\$ 1,490,000	

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 9 – 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, 2012, are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 1,490,000	\$ 1,665,313	\$ 3,155,313
2014	1,675,000	1,593,638	3,268,638
2015	1,885,000	1,504,638	3,389,638
2016	2,115,000	1,409,925	3,524,925
2017	2,350,000	1,315,338	3,665,338
2018 - 2022	15,980,000	4,483,519	20,463,519
2023 - 2025	8,590,000	454,650	9,044,650
Total	\$ 34,085,000	\$ 12,427,021	\$ 46,512,021

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

Year Ended June 30,	Principal	Interest	Total
2013	\$ -	\$ 82,940	\$ 82,940
2014	1,490,000	105,020	1,595,020
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
Total	\$ 7,000,000	\$ 373,678	\$ 7,373,678

C. Certificates of Participation

A schedule of changes in the certificates of participation for the year ended June 30, 2012 consisted of the following:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2012	Balance Due In One Year
				Outstanding July 01, 2011	Additions	Deductions		
2004	2018	4.88%	\$1,037,000	\$ 611,238	\$ -	\$ 69,307	\$ 541,931	\$ 72,730
2009	2018	1.25% - 4.75%	965,000	845,000	-	110,000	735,000	110,000
				\$ 1,456,238	\$ -	\$ 179,307	\$ 1,276,931	\$ 182,730

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT (continued)

The annual requirements to amortize the Series 2009 certificates of participation as of June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 110,000	\$ 27,463	\$ 137,463
2014	115,000	23,944	138,944
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
Total	\$ 735,000	\$ 98,695	\$ 833,695

The annual requirements to amortize the 2004 Cafeteria certificates of participation as of June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 72,730	\$ 25,570	\$ 98,300
2014	76,323	21,977	98,300
2015	80,093	18,207	98,300
2016	84,049	14,251	98,300
2017	88,201	10,099	98,300
2018 - 2020	140,535	6,913	147,448
Total	\$ 541,931	\$ 97,017	\$ 638,948

D. Early Retirement Incentives

The District has in place an early retirement incentive program through PARS Trust and Cal PERS, whereby the District provides supplemental retirement benefits to employees who meet age, years of service and retirement eligibility requirements. This program is not the same as the early retirement program pursuant to Education Code Sections 22714 and 44929. As of June 30, 2012 the balance on the early retirement incentive is \$237,758.

E. EPA Loan

The District has a non-interest bearing loan with the Environmental Protection Agency. The final payment was made during the 2011-12 fiscal year, leaving no outstanding balance.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2012:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventory	93,581	-	-	64,823	158,404
Prepaid expenditures	1,500	-	-	-	1,500
Total non-spendable	120,081	-	-	64,823	184,904
Restricted					
Educational programs	-	-	-	1,520,914	1,520,914
Capital projects	-	43,783,084	-	3,344,679	47,127,763
Debt service	-	-	2,837,384	-	2,837,384
Total restricted	-	43,783,084	2,837,384	4,865,593	51,486,061
Assigned					
Deferred Maintenance	1,143,712	-	-	-	1,143,712
Adult Education	974,146	-	-	-	974,146
Special Reserve for Other Than Capital Outlay	1,912,777	-	-	-	1,912,777
Other Assignments	8,811,692	-	-	19,803	8,831,495
Total assigned	12,842,327	-	-	19,803	12,862,130
Unassigned					
Remaining unassigned	8,394,220	-	-	-	8,394,220
Total unassigned	8,394,220	-	-	-	8,394,220
Total	\$ 21,356,628	\$ 43,783,084	\$ 2,837,384	\$ 4,950,219	\$ 72,927,315

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 two months of general fund operating expenditures, or two percent of General Fund expenditures and other financing uses.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 –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	427
Active plan members	711
Total	<u>1,138</u>

Number of participating employers	1
-----------------------------------	---

**As of January 1, 2011 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, 2012, the District contributed \$622,651 to the Plan, all of which was used for current premiums.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – 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	\$	976,800
Interest on net OPEB obligation		38,975
Adjustment to annual required contribution		(53,233)
Annual OPEB cost (expense)		<u>962,542</u>
Contributions made		<u>(622,651)</u>
Increase (decrease) in net OPEB obligation		339,891
Net OPEB obligation, beginning of the year		<u>779,487</u>
Net OPEB obligation, end of the year	\$	<u>1,119,378</u>

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, 2012 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 962,542	65%	\$ 1,119,378
2011	\$ 857,218	70%	\$ 779,487
2010	\$ 850,680	68%	\$ 520,866

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – 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, 2011	\$ -	\$ 12,289,900	\$ 12,289,900	0%	\$ 46,046,200	27%

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 June 11, 2010 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, 2012, was 27 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 12 – 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 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 2012 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
2011-12	\$ 2,803,357	100%
2010-11	\$ 2,775,571	100%
2009-10	\$ 2,908,571	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 \$1,449,929 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 12 – 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 are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 1,916,441	100%
2010-11	\$ 1,883,853	100%
2009-10	\$ 1,897,189	100%

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 13 – 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, 2012.

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, 2012.

C. Construction Commitments

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of \$2,880,961.

NOTE 14 – 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, 2012, the District made payments of \$286,253 to SMCSIG.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 15 – PRIOR PERIOD RESTATEMENTS

The prior period adjustments of fund balances consist of the following:

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Debt Service Fund for Blended Component Units
Fund Balance - June 30, 2011, as originally stated	\$ 15,737,692	\$ 718,213	\$ 1,185,005	\$ 119,008
Decrease in:				
Cash w/ fiscal agent	-	-	-	(119,008)
Change in fund type classification per GASB Statement No. 54	1,903,218	(718,213)	(1,185,005)	-
Fund Balance - June 30, 2011, as restated	\$ 17,640,910	\$ -	\$ -	\$ -

The prior period adjustment of net assets consists of cash with fiscal agent amounting to \$119,008, which was not originally reported and reclassification of special revenue funds in accordance with GASB Statement No. 54.

NOTE 16 – SUBSEQUENT EVENTS

The District issued \$6,937,000 of Tax Revenue Anticipation Notes dated July 19, 2012. The notes mature on June 28, 2012, and a coupon of 2.00% interest rate. The notes were sold to supplement cash flow. Repayment requirements are that 50% be deposited with the Fiscal Agent on January 31, 2013, and the remainder on April 30, 2013.

(This page intentionally left blank)

**REQUIRED SUPPLEMENTARY
INFORMATION**

(This page intentionally left blank)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ (294,472)	\$ (280,266)	\$ (246,699)	\$ 33,567
Local sources	48,982,314	52,599,208	52,726,383	127,175
Transfers	4,443,619	4,443,619	4,104,500	(339,119)
Federal sources	3,707,068	6,094,974	5,517,026	(577,948)
Other State sources	7,284,219	10,312,960	9,561,033	(751,927)
Other local sources	2,558,117	2,260,095	2,185,163	(74,932)
Total Revenues	66,680,865	75,430,590	73,847,406	(1,583,184)
EXPENDITURES				
Certificated salaries	34,384,986	34,179,381	33,983,803	195,578
Classified salaries	10,316,594	10,192,586	10,157,336	35,250
Employee benefits	13,278,965	12,850,138	12,607,176	242,962
Books and supplies	1,744,214	4,413,185	1,922,439	2,490,746
Services and other operating expenditures	7,029,475	7,309,793	5,908,609	1,401,184
Capital outlay	14,500	143,119	192,603	(49,484)
Other outgo				
Excluding transfers of indirect costs	4,479,933	4,710,684	4,104,979	605,705
Transfers of indirect costs	(190,671)	(204,934)	(203,477)	(1,457)
Total Expenditures	71,057,996	73,593,952	68,673,468	4,920,484
Excess (Deficiency) of Revenues				
Over Expenditures	(4,377,131)	1,836,638	5,173,938	3,337,300
Other Financing Sources (Uses)				
Transfers In	26,600	51,858	45,763	(6,095)
Transfers Out	(1,643,248)	(1,643,248)	(1,726,381)	(83,133)
Net Financing Sources (Uses)	(1,616,648)	(1,591,390)	(1,680,618)	(89,228)
NET CHANGE IN FUND BALANCE	(5,993,779)	245,248	3,493,320	3,248,072
Fund Balance - Beginning	13,831,170	13,831,170	13,831,170	-
Fund Balance - Ending	\$ 7,837,391	\$ 14,076,418	\$ 17,324,490	\$ 3,248,072

* 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 \$1,449,929 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, 2012

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, 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%
January 1, 2007	\$	-	\$ 12,036,000	\$ 12,036,000	0%	\$ 41,229,000	29%

See accompanying note to required supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Capital outlay	\$ 143,119	\$ 192,603	\$ 49,484

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic School Support	84.010	14416	\$ 739,899
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	29,579
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14957	357,998
Subtotal Title I, Part A Cluster			<u>1,127,476</u>
Adult Education Cluster			
Adult Education: Adult Basic Education & ESL	84.002A	14508	180,807
Adult Education: Adult Secondary Education	84.002A	13978	34,830
Adult Education: English Literacy and Civics Education	84.002A	14109	26,082
Subtotal Adult Education Cluster			<u>241,719</u>
Title I, Migrant Ed Summer Program	84.011	10005	16,716
Title I, Part C, Migrant Education (Regular and Summer)	84.011	14326	63,274
Title II, Part A, Teacher Quality	84.367A	14341	182,136
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	2,738
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	257,846
Title V, Part A, Innovative Education Strategies	84.298A	14354	3,462
Department of Rehab: Workability II, Transition Partnership	84.158	10006	53,130
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,649,859
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	882
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	35,619
ARRA - IDEA Part B, Sec 611, Local Assistance Private School ISPs	84.391	10123	4,887
ARRA - Part B, Preschool Grants	84.392	15000	11,994
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	66,372
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,475
Subtotal Special Education Cluster			<u>1,771,088</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	44,761
ARRA - State Fiscal Stabilization Fund	84.394	24997	16,077
Education Jobs Fund	84.410	25152	1,735,307
Total U. S. Department of Education			<u>5,515,730</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster	10.555	*	1,526,018
Child Care Food Program (CCFP)	10.558	13666	121,871
USDA Commodities	10.558	13389	147,529
Total U. S. Department of Agriculture			<u>1,795,418</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Child Development: Federal Child Care, Center-based	93.596	15136	202,149
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Cluster			
Medi-Cal Billing Option	93.778	10013	71,723
Unrestricted: Medi-Cal Administrative Activities (MAA)	93.778	10060	196,595
Subtotal Medi-Cal Cluster			<u>268,318</u>
Total U. S. Department of Health & Human Services			<u>470,467</u>
Total Federal Expenditures			<u>\$ 7,781,615</u>

* - 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, 2012**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	657	655
First through third	1,996	1,993
Fourth through sixth	1,910	1,905
Seventh through eighth	1,228	1,223
Home and hospital	1	1
Special education	265	268
Total Elementary	6,057	6,045
SECONDARY		
Regular classes	2,743	2,720
Continuation education	69	68
Community day school	17	19
Home and hospital	11	13
Special education	190	191
Total Secondary	3,030	3,011
Average Daily Attendance Total	9,087	9,056

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83		1986-87		Weighted Average Goal Minutes	2011-12 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced				
Kindergarten	35,920	33,525	36,000	33,600	N/A	46,620	180	Complied
Grade 1	48,312	45,091	50,400	47,040	48,384	52,260	180	Complied
Grade 2	48,312	45,091	50,400	47,040	48,384	52,260	180	Complied
Grade 3	48,312	45,091	50,400	47,040	48,384	52,260	180	Complied
Grade 4	48,312	45,091	54,000	50,400	48,384	52,260	180	Complied
Grade 5	48,312	45,091	54,000	50,400	48,384	52,260	180	Complied
Grade 6	49,860	46,536	54,000	50,400	N/A	62,256	180	Complied
Grade 7	49,860	46,536	54,000	50,400	N/A	62,256	180	Complied
Grade 8	49,860	46,536	54,000	50,400	N/A	62,256	180	Complied
Grade 9	63,440	59,211	64,800	60,480	N/A	65,342	180	Complied
Grade 10	63,440	59,211	64,800	60,480	N/A	65,342	180	Complied
Grade 11	63,440	59,211	64,800	60,480	N/A	65,342	180	Complied
Grade 12	63,440	59,211	64,800	60,480	N/A	65,342	180	Complied

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

	2013 (Budget)	2012	2011	2010
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 68,405,646	\$ 73,893,169	\$ 72,460,086	\$ 76,688,695
Expenditures And Other Financing Uses	69,495,720	70,399,849	75,315,165	73,986,147
Net change in Fund Balance	\$ (1,090,074)	\$ 3,493,320	\$ (2,855,079)	\$ 2,702,548
Ending Fund Balance	\$ 14,373,072	\$ 17,324,490	\$ 15,038,881	\$ 17,893,960
Available Reserves*	\$ 10,435,194	\$ 5,343,470	\$ 10,769,962	\$ 10,047,769
Available Reserves As A Percentage Of Outgo	15.02%	7.59%	14.30%	13.58%
Long-term Debt	\$ 99,205,352	\$ 100,878,082	\$ 40,216,381	\$ 39,896,678
Average Daily Attendance At P-2	9,087	9,087	9,368	9,035

The General Fund balance has decreased by \$569,470 over the past two years. The fiscal year 2012-13 budget projects a further decrease of \$2,951,418. 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 two of the last three years and anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long term obligations have increased by \$60,981,404 over the past two years.

Average daily attendance has increased by 52 ADA over the past two years. No change in ADA is anticipated during the 2012-13 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, Deferred Maintenance Fund and Special Reserve for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Special Reserve for OtherThan Capital Outlay Projects
June 30, 2012, annual financial and budget report fund balance	\$ 17,324,491	\$ 975,646	\$ 1,143,712	\$ 1,912,777
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Fund balance transfer (GASB54)	4,032,135	(975,646)	(1,143,712)	(1,912,777)
Net adjustments and reclassifications	4,032,135	(975,646)	(1,143,712)	(1,912,777)
June 30, 2012, audited financial statement fund balance	\$ 21,356,626	\$ -	\$ -	\$ -

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012**

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2012

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds
ASSETS										
Cash and cash equivalents	\$ -	\$ 475,141	\$ 950,199	\$ -	\$ 195,212	\$ 21	\$ 211	\$ 2,193,665	\$ -	\$ 3,814,449
Investments	-	146,107	-	-	-	-	-	151,605	-	297,712
Accounts receivable	-	104,879	225,513	-	579	-	-	4,949	-	335,920
Due from other funds	-	1,538	5,782	-	-	-	-	681,381	-	688,701
Stores inventory	-	-	64,823	-	-	-	-	-	-	64,823
Prepaid expenditures	-	900	8,919	-	124,556	-	-	-	-	134,375
Total Assets	\$ -	\$ 728,565	\$ 1,255,236	\$ -	\$ 320,347	\$ 21	\$ 211	\$ 3,031,600	\$ -	\$ 5,335,980
LIABILITIES										
Accrued liabilities	\$ -	\$ 30,497	\$ 36,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,824
Due to other funds	-	199,219	112,218	-	-	-	-	-	-	311,437
Deferred revenue	-	-	-	-	-	-	-	7,500	-	7,500
Total Liabilities	-	229,716	148,545	-	-	-	-	7,500	-	385,761
FUND BALANCES										
Restricted	-	479,046	1,041,868	-	320,347	21	211	3,024,100	-	4,865,593
Assigned	-	19,803	-	-	-	-	-	-	-	19,803
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	-	498,849	1,106,691	-	320,347	21	211	3,024,100	-	4,950,219
Total Liabilities and Fund Balance	\$ -	\$ 728,565	\$ 1,255,236	\$ -	\$ 320,347	\$ 21	\$ 211	\$ 3,031,600	\$ -	\$ 5,335,980

See accompanying note to supplementary information.

(This page intentionally left blank)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
REVENUES										
Federal sources	\$ -	\$ 202,149	\$ 1,526,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,728,167
Other State sources	-	585,246	121,871	-	-	-	-	-	-	707,117
Other local sources	-	1,168,634	757,899	-	121,767	21	211	26,428	-	2,074,960
Total Revenues	-	1,956,029	2,405,788	-	121,767	21	211	26,428	-	4,510,244
EXPENDITURES										
Current										
Instruction	-	1,283,288	-	-	-	-	-	-	-	1,283,288
Instruction-related services	-	-	-	-	-	-	-	-	-	-
Instructional supervision and administration	-	1,300	-	-	-	-	-	-	-	1,300
School site administration	-	362,778	-	-	-	-	-	-	-	362,778
Pupil services	-	-	-	-	-	-	-	-	-	-
Food services	-	-	2,140,568	-	-	-	-	-	-	2,140,568
All other pupil services	-	5,452	-	-	-	-	-	-	-	5,452
General administration	-	-	-	-	-	-	-	-	-	-
All other general administration	-	100,318	103,158	-	-	-	-	-	-	203,476
Plant services	-	86,199	8,565	-	12,695	-	-	-	-	107,459
Facilities acquisition and maintenance	-	528	-	-	-	-	-	13,972	-	14,500
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	69,271	-	110,000	-	-	16,765	-	196,036
Interest and other	-	-	29,029	-	31,350	-	-	-	-	60,379
Total Expenditures	-	1,839,863	2,350,591	-	154,045	-	-	30,737	-	4,375,236
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-	-	-	-	-	-
Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Transfers In	-	116,166	55,197	-	(32,278)	21	211	(4,309)	-	135,008
Transfers Out	-	-	-	-	-	-	-	-	-	-
Net Financing Sources (Uses)	-	(26,600)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-	-	-
Fund Balance - Beginning	718,213	89,566	55,197	-	(32,278)	21	211	677,072	-	789,789
Prior Period Adjustment	(718,213)	409,283	1,051,494	1,185,005	352,625	-	-	2,347,028	119,008	6,182,656
Fund Balance - Ending	-	-	-	(1,185,005)	-	-	-	-	(119,008)	(2,022,226)
	\$ -	\$ 498,849	\$ 1,106,691	\$ -	\$ 320,347	\$ 21	\$ 211	\$ 3,024,100	\$ -	\$ 4,950,219

See accompanying note to supplementary information.

(This page intentionally left blank)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section* 46201. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections* 46201.2 and 46201.3. The District used the weighted average method to achieve compliance with instructional minute time requirements.

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)

(This page intentionally left blank)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

(This page intentionally left blank)

**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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

We have audited 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of South San Francisco Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered South San Francisco Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South San Francisco Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South San Francisco Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

SAN DIEGO
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

RANCHO CUCAMONGA
8686 Haven Avenue
Suite 250
Rancho Cucamonga, CA 91730

ALAMEDA
1050 Marina Village Parkway
Suite 201
Alameda, CA 94501

tel: 619.270.8222
fax: 619.260.9085
www.cwacpa.com

Licensed by the California
State Board of Accountancy

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item #2012-1 that we consider to be significant deficiencies in internal control over financial reporting. 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.

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

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

Christy White Associates

San Diego, California
December 15, 2012

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

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board

South San Francisco Unified School District

South San Francisco, California

Compliance

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 its major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of South San Francisco Unified School District's management. Our responsibility is to express an opinion on South San Francisco Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of South San Francisco Unified School District's compliance with those requirements.

In our opinion, South San Francisco Unified School District complied, in all material respects, with the 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, 2012.

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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered South San Francisco Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses* as defined above.

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

Christy White Associates

San Diego, California
December 15, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of South San Francisco Unified School District's management. Our responsibility is to express an opinion on South San Francisco Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, 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 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. Our audit does not provide a legal determination on South San Francisco Unified School District's compliance with the state laws and regulations referred to above.

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	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

SAN DIEGO

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

RANCHO CUCAMONGA

8686 Haven Avenue
Suite 250
Rancho Cucamonga, CA 91730

ALAMEDA

1050 Marina Village Parkway
Suite 201
Alameda, CA 94501

tel: 619.270.8222

fax: 619.260.9085

www.cwacpa.com

Licensed by the California
State Board of Accountancy

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	3	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

We did not perform testing for Independent Study because ADA was below the required threshold for testing.

In our opinion, South San Francisco Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12* and which are reported in the accompanying schedule of Findings and Questioned Costs as Findings #2012-2 and #2012-3.

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

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

Christy White Associates

San Diego, California
December 15, 2012

(This page intentionally left blank)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page intentionally left blank)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund</u>

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

STATE AWARDS

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING #2012-1: ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: Proper internal controls need to be in place and followed in order to decrease the risk of potential misappropriation of assets.

Condition: In testing the Associated Student Body organizations, we found that while the District and Site staff are aware of the proper internal controls and continue to address many of the audit findings, that there are still continued problems with District wide policies and systems. Specifically, through observation and inquiry we noted that a uniform District procedure does not exist. Additionally, the sites do not feel that there is monitoring, oversight and direction from the District Office. In April 2012 we conducted an extensive audit of the sixteen ASB's at South San Francisco Unified. A summary of our results follows:

- The sites do not feel that there is any monitoring and oversight at the District level.
- There does not appear to be a comprehensive board policy on ASB operations.
- The sites do not have a uniform bookkeeping system, 13 of the 16 sites are using a manual system for accounting.
- The sites each use a different bank and have anywhere from one to three bank accounts. One site is utilizing ATM cards to make purchases.
- A majority of the sites are not spending down the balances. Instead, they are saving the balance for future purchases. Some elementary sites have up to \$72,000.
- Sites are purchasing goods that should be purchased by the District office.
- The sites are running faculty social funds through the ASB.
- The sites are not sending donations to the District office; instead they are maintaining the funds in the ASB account.
- The elementary school sites do not have a formal process to obtain prior approval for good and purchases.

Cause: Unknown

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

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING #2012-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

Recommendation: In response to the audit finding, a summary of our key recommendations to address the internal control issue identified include:

- Monitoring and oversight of the ASB at the district office level, which include reviewing monthly ASB financial statements.
- Developing a comprehensive Board and District policy.
- Maintaining a uniform accounting system utilized District wide by the ASB's.
- Utilizing one bank system that the District office has access ,
- Spending down the ASB balances in the year the money was raised.
- Ensuring cash disbursements are for proper items.
- Removing the faculty social funds from the ASB accounts, instead they should set up another account not related to the District to track a faculty social account.
- Sending donations to the District office for proper coding and administration.
- Formalizing the request and approval process for cash disbursements at the elementary school sites.

District Response: In response to the April 2012 audit, the District has implemented a web-based software solutions from Active Network that provide the recommended audit trail and accountability for fiscal year 2012-2013 for all sites. All ASB bookkeepers along with key District staff were required to attend the mandatory training. Training materials and manuals were provided by Active Network. In addition to the Active Network training, District Staff provided numerous one-on-one trainings with site ASB bookkeepers. The District also promoted an ASB workshop from FCMAT held at SMCOE and a few site administrators, bookkeepers and ASB advisors attended.

District has cancelled site ATM cards and is requesting sites to send donations to the District office for proper coding and administration. District is committed to provide ongoing improved internal control and support to sites.

The District's plan of action on ASB consists of a following phases:

Phase 1:

- 1) Implement a District wide ASB accounting system.
- 2) Train key personnel.
- 3) Provide ongoing support.
- 4) Sites proficient at navigating the ASB accounting system and running month end.
- 5) Monitor and oversight ASB at district office level.

Phase 2:

- 1) Develop a comprehensive Board and District Policy
- 2) Implement utilizing one bank system.
- 3) Implement Active Network ASB Stores module.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings and questioned costs related to federal awards during 2011-12.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FIVE DIGIT CODE

10000
40000
41000
60000
61000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
CalSTRS
Miscellaneous
Classroom Teacher Salaries
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2012-2: ATTENDANCE ACCOUNTING (10000)

State Funding Source: Revenue limit ADA.

Criteria: Absent notes and other source documents of attendance 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.

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

Junipero Serra Elementary School

- One out of twenty student attendance records selected from the monthly attendance reports did not trace correctly to the teacher signed weekly attendance verification. The student was recorded as present per monthly attendance report on 10/11/2011, but was noted as absent per teacher signed weekly attendance verification.

Ponderosa Elementary School

- One out of twenty absence notes tested did not agree to attendance records. The student was tardy per source document (tardy note), but was recorded absent per attendance system on 1/20/2012.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING #2012-2: ATTENDANCE ACCOUNTING (10000) (continued)

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

Effect: The District is out of compliance with the State's requirements regarding attendance reporting and record retention.

Questioned Costs: The District's 2011-12 P-2 report was overstated by .71 ADA and given a deficit base revenue limit amount of \$5,018.07, the fiscal impact would be an ADA overstatement of \$3,562.83. However, there is no effect on revenue limit ADA as the District is a basic aid District which is funded solely on property taxes.

Recommendations: Weekly attendance verifications should be prepared, reviewed, and signed in a timely matter in order to indicate teacher approval of attendance records and make any necessary adjustments. In addition, District should offer and encourage participation in periodic attendance accounting in-service training for attendance clerks. Attendance clerks should be kept up to date on attendance accounting issues and attendance software training.

District Response: All schools have responded to our request for "weekly" teacher signatures. They have all confirmed that they are all in compliance for the teachers signing "weekly" attendance registers going forward.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING #2012-3: CONTINUATION ATTENDANCE (10000)

State Funding Source: Revenue limit ADA.

Criteria: Per Education Code 46303, monthly attendance reports by teachers should reconcile to the teacher signed weekly attendance (source documentation).

Condition: Through our testing of the school site's attendance record keeping, we determined that the school site was not printing signed rosters to verify that the system was mathematically accurate. In addition, all students should be considered absent unless marked present under the hourly attendance requirement.

Context: At Baden Continuation High School, we noted that the attendance clerk was not obtaining weekly signed attendance rosters per teachers at the site. We also noted that students were being recorded in the system as present, unless marked absent by the teacher.

Cause: The attendance clerk was unaware as to how to produce a weekly signed roster. Also, the system was not set up for positive attendance.

Effect: The District is out of compliance with the State's requirements regarding attendance reporting and record retention.

Questioned Costs: Given that the total for the P-2 attendance period is 69.24 ADA and a 2011-12 deficit base revenue limit amount of \$5,018.07, the fiscal impact would be an ADA overstatement of \$347,451.17. However, there is no effect on revenue limit ADA as the District is a basic aid District which is funded solely on property taxes.

Recommendation: We recommend that the site develop controls to ensure that weekly attendance reports are printed and signed by all teachers and filed to be retained. The District should provide training to site attendance personnel on the requirements relating to retention of attendance source documents.

District Response: All schools have responded to our request for "weekly" teacher signatures. They have all confirmed that they are all in compliance for the teachers signing "weekly" attendance registers going forward.

(This page intentionally left blank)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING #2011-1: ASSOCIATED STUDENT BODY (ASB) (30000)

CRITERIA:

FCMAT's Associated Student Body Accounting Manual & Desk Reference has the following to say about internal controls:

- Ensure that operations are effective and efficient.
- Safeguard and preserve the organization's assets.
- Promote successful fund-raising ventures.
- Protect against improper fund disbursements.
- Ensure that unauthorized obligations cannot be incurred.
- Provide reliable financial information.
- Reduce the risk of fraud and abuse.
- Protect employees and volunteers.
- Ensure compliance with applicable laws and regulations

CONDITIONS:

Martin Elementary School

Finding: We noted in our testing of cash receipts that 2 of 5 deposits were not supported with sufficient and appropriate audit evidence, such as an inventory control worksheet or pre-numbered cash receipts. In addition, 2 of 5 deposits were not made in a timely manner.

Parkway Heights Middle School

Finding: In testing the ASB at Parkway Heights Middle School we found that 2 out of 12 cash disbursements were not supported with sufficient and appropriate audit evidence, such as a receipt/invoice and standard requisition form. For cash receipts we found that 11 out of 12 cash collection activities were not supported with sufficient documentation, such as deposit slip, receipt, tally sheet, and/or ticket control worksheet. It was also noted that a budget is not being prepared or adopted by the student council.

(This page intentionally left blank)

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2011-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

CONDITIONS: (continued)

El Camino High School

Finding: In testing the ASB at El Camino High School we found that 1 out of 15 cash disbursements were not supported by proper approval and appear to be a questionable disbursement. For cash receipts we found that 7 out of 15 cash collection activities were not supported with sufficient documentation, such as deposit slip, receipt, tally sheet, and/or ticket control worksheet. It was also noted that a budget is not being prepared or adopted by the student council and financial statements were not being prepared.

Monte Verde Elementary School

Finding: In testing the ASB at Monte Verde Elementary School we found that 1 out of 5 cash disbursements was not supported with sufficient and appropriate audit evidence, such as a receipt/invoice and standard requisition form. It was also noted that financial statements are not being prepared.

CAUSE: Unknown

EFFECT OR POTENTIAL EFFECT:

The effect, or potential effect, on the ASBs is there is an increased likely hood of misappropriation of assets.

(This page intentionally left blank)

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2011-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

RECOMMENDATION:

We recommend that the District enforce policies and procedures over ASB cash collections and disbursements in order to ensure that proper internal controls are being followed at the school sites. We also recommend that the District provide training on proper internal control procedures over the cash receipt and disbursement process to ensure that ASB funds are being used and collected properly.

We further recommend training every year to the bookkeepers to communicate the importance of internal control as provided by the *ASB Accounting Manual and Desk Reference*, as published by FCMAT.

DISTRICT RESPONSE:

The District has and will continue to provide the bookkeepers with training of various sources. Additionally, the District may move the ASBs to the Blue Bear accounting system.

CURRENT STATUS: Partially implemented, see finding #2012-1

