

**SOUTH SAN FRANCISCO UNIFIED
SCHOOL DISTRICT**

AUDIT REPORT
JUNE 30, 2013

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

SOUTH SAN FRANCISCO, CALIFORNIA

JUNE 30, 2013

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
Philip Weise	President	November 2014
Liza Normandy	Vice President	November 2014
Maurice Goodman	Clerk	November 2016
Shirlee Hoch	Member	November 2014
Judith Bush	Member	November 2016

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

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	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 Position	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 Position.....	18
Fiduciary Funds – Statement of Changes in Net Position.....	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	45
Schedule of Funding Progress	46
Notes to Required Supplementary Information.....	47

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	48
Schedule of Average Daily Attendance (ADA).....	49
Schedule of Instructional Time	50
Schedule of Financial Trends and Analysis.....	51
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	52
Schedule of Charter Schools	53
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	55
Notes to Supplementary Information.....	56

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2013

OTHER INDEPENDENT AUDITORS' REPORTS

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>	58
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133	60
Report on State Compliance.....	62

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	65
Financial Statement Findings.....	66
Federal Award Findings and Questioned Costs	69
State Award Findings and Questioned Costs.....	70
Summary Schedule of Prior Audit Findings	71

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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SAN DIEGO

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*Licensed by the California
State Board of Accountancy*

Governing Board

South San Francisco Unified School District

South San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South San Francisco Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the South San Francisco Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South San Francisco Unified School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South San Francisco Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of South San Francisco Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South San Francisco Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
November 25, 2013

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

INTRODUCTION

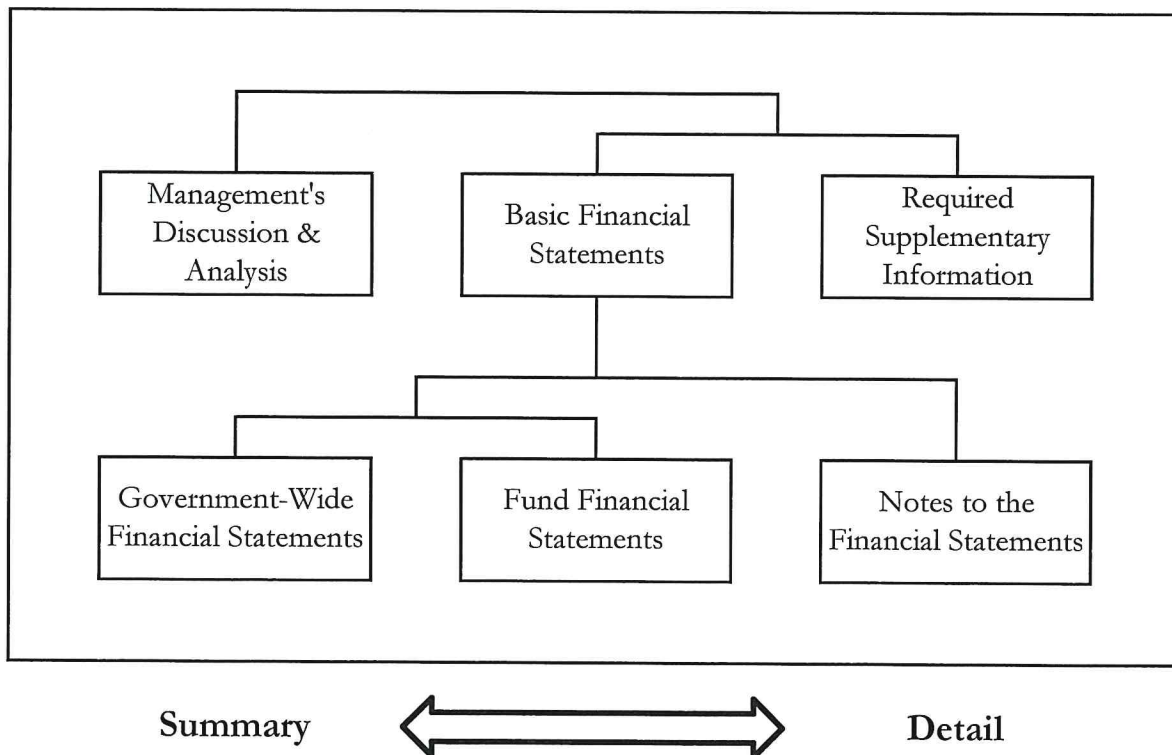
Our discussion and analysis of South San Francisco Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$85,734,219 at June 30, 2013. This was an increase of \$17,730,813 from the prior year.
- Overall revenues were \$104,215,680 which exceeded expenses of \$86,484,867.

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, 2013**

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. 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, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$85,734,219 at June 30, 2013. Of this amount, \$33,688,567 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2013	2012	Net Change
ASSETS			
Current and other assets	\$ 113,993,916	\$ 75,880,014	\$ 38,113,902
Capital assets	111,436,864	95,489,843	15,947,021
Total Assets	225,430,780	171,369,857	54,060,923
LIABILITIES			
Current liabilities	11,018,498	4,161,099	6,857,399
Long-term liabilities	128,678,063	99,205,352	29,472,711
Total Liabilities	139,696,561	103,366,451	36,330,110
NET POSITION			
Net investment in capital assets	39,086,693	40,375,493	(1,288,800)
Restricted	12,958,959	7,702,977	5,255,982
Unrestricted	33,688,567	19,924,936	13,763,631
Total Net Position	\$ 85,734,219	\$ 68,003,406	\$ 17,730,813

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2013	2012	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,481,228	\$ 1,539,464	\$ (58,236)
Operating grants and contributions	12,206,531	11,338,688	867,843
General revenues			
Property taxes	79,950,449	60,869,532	19,080,917
Unrestricted federal and state aid	8,375,643	7,340,768	1,034,875
Other	2,201,829	2,324,493	(122,664)
Total Revenues	104,215,680	83,412,945	20,802,735
EXPENSES			
Instruction	43,184,380	43,167,487	16,893
Instruction-related services	7,750,446	7,875,626	(125,180)
Pupil services	10,506,430	9,810,392	696,038
General administration	3,557,260	3,459,695	97,565
Plant services	6,492,133	7,007,595	(515,462)
Ancillary and community services	46,056	36,138	9,918
Debt service	5,684,432	1,398,338	4,286,094
Other Outgo	3,944,627	3,712,266	232,361
Depreciation	5,319,103	4,970,074	349,029
Total Expenses	86,484,867	81,437,611	5,047,256
Change in net position	17,730,813	1,975,334	15,755,479
Net Position - Beginning	68,003,406	66,147,080	1,856,326
Prior Period Adjustment	-	(119,008)	119,008
Net Position - Ending	\$ 85,734,219	\$ 68,003,406	\$ 17,730,813

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total net cost of services provided for the year ended June 30, 2013 was \$72,797,108.

	Net Cost of Services	
	2013	2012
Instruction	\$ 37,119,298	\$ 36,538,718
Instruction-related services	6,967,043	7,018,249
Pupil services	7,712,817	5,866,050
General administration	3,227,957	2,996,949
Plant services	6,291,479	6,720,904
Ancillary and community services	46,056	36,138
Debt service	5,684,432	1,398,338
Transfers to other agencies	428,923	3,014,039
Depreciation	5,319,103	4,970,074
Total Expenses	\$ 72,797,108	\$ 68,559,459

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 \$106,879,514. The District's General Fund had \$19,088,710 more in operating revenues than expenditures for the year ended June 30, 2013. The Building Fund had \$19,907,187 more in operating expenditures than operating revenues for the year ended June 30, 2013.

CURRENT YEAR BUDGET 2012-13

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.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012-13 the District had invested \$111,436,864 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2013	2012	Net Change
CAPITAL ASSETS			
Land	\$ 4,305,189	\$ 4,305,189	\$ -
Construction in progress	15,512,624	19,564,501	(4,051,877)
Land improvements	29,003,986	3,751,870	25,252,116
Buildings & improvements	123,241,240	124,218,853	(977,613)
Furniture & equipment	6,144,341	6,006,767	137,574
Accumulated depreciation	(66,770,516)	(62,357,337)	(4,413,179)
Total Capital Assets	\$ 111,436,864	\$ 95,489,843	\$ 15,947,021

Long-Term Debt

At year-end, the District had \$132,663,749 in long-term debt, an increase of 31.5% 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		
	2013	2012	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 39,834,761	\$ 41,618,746	\$ (1,783,985)
Total bond anticipation notes	89,662,630	56,001,757	33,660,873
Certificates of participation	1,094,201	1,276,931	(182,730)
Early retirement incentive	-	237,758	(237,758)
Compensated absences	624,193	623,512	681
Net OPEB obligation	1,447,964	1,119,378	328,586
Total Long-term Liabilities	\$ 132,663,749	\$ 100,878,082	\$ 31,785,667

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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.

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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 2013-14 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

District Address

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 108,004,821
Investments	429,274
Accounts receivable	4,587,509
Inventory	141,387
Prepaid expenses	227,187
Deferred charges	603,738
Capital assets, not depreciated	19,817,813
Capital assets, net of accumulated depreciation	91,619,051
Total Assets	225,430,780
LIABILITIES	
Accrued liabilities	3,703,341
Unearned revenue	3,329,471
Long-term liabilities, current portion	3,985,686
Long-term liabilities, non-current portion	128,678,063
Total Liabilities	139,696,561
NET POSITION	
Net investment in capital assets	39,086,693
Restricted:	
Capital projects	515,160
Debt service	7,788,940
Educational programs	3,412,494
Other purposes	1,242,365
Unrestricted	33,688,567
Total Net Position	\$ 85,734,219

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, 2013

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 43,184,380	\$ 228,233	\$ 5,836,849	\$ (37,119,298)
Instruction-related services				
Instructional supervision and administration	889,779	4,553	107,739	(777,487)
Instructional library, media, and technology	1,474,350	-	2,289	(1,472,061)
School site administration	5,386,317	28,999	639,823	(4,717,495)
Pupil services				
Home-to-school transportation	1,288,847	-	7,592	(1,281,255)
Food services	2,219,121	598,242	1,652,498	31,619
All other pupil services	6,998,462	60,262	475,019	(6,463,181)
General administration				
Centralized data processing	51,496	-	-	(51,496)
All other general administration	3,505,764	35,574	293,729	(3,176,461)
Plant services	6,492,133	22,913	177,741	(6,291,479)
Community services	46,056	-	-	(46,056)
Interest on long-term debt	5,684,432	-	-	(5,684,432)
Other Outgo	3,944,627	502,452	3,013,252	(428,923)
Depreciation (unallocated)	5,319,103	-	-	(5,319,103)
Total Governmental Activities	\$ 86,484,867	\$ 1,481,228	\$ 12,206,531	(72,797,108)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				74,325,437
Property taxes, levied for debt service				4,928,756
Property taxes, levied for other specific purposes				696,256
Federal and state aid not restricted for specific purposes				8,375,643
Interest and investment earnings				614,254
Interagency revenues				154,381
Miscellaneous				1,433,194
Subtotal, General Revenue				90,527,921
CHANGE IN NET POSITION				17,730,813
Net Position - Beginning				68,003,406
Net Position - Ending				\$ 85,734,219

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 41,196,445	\$ 54,677,066	\$ 12,131,310	\$ 108,004,821
Investments	126,055	-	303,219	429,274
Accounts receivable	3,969,161	50,945	567,403	4,587,509
Due from other funds	150,443	-	2,398	152,841
Stores inventory	86,628	-	54,759	141,387
Prepaid expenditures	85,238	7,707	134,242	227,187
Total Assets	\$ 45,613,970	\$ 54,735,718	\$ 13,193,331	\$ 113,543,019
LIABILITIES				
Accrued liabilities	\$ 1,825,313	\$ 853,998	\$ 501,882	\$ 3,181,193
Due to other funds	63	3,953	148,825	152,841
Unearned revenue	3,316,656	-	12,815	3,329,471
Total Liabilities	5,142,032	857,951	663,522	6,663,505
FUND BALANCES				
Nonspendable	198,866	7,707	189,047	395,620
Restricted	2,818,197	53,870,060	12,340,762	69,029,019
Assigned	15,260,712	-	-	15,260,712
Unassigned	22,194,163	-	-	22,194,163
Total Fund Balances	40,471,938	53,877,767	12,529,809	106,879,514
Total Liabilities and Fund Balances	\$ 45,613,970	\$ 54,735,718	\$ 13,193,331	\$ 113,543,019

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 POSITION
JUNE 30, 2013

Total Fund Balance - Governmental Funds	\$ 106,879,514
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 178,207,380	
Accumulated depreciation	<u>(66,770,516)</u>	111,436,864

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-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 position are:

603,738

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(522,148)

Long-term liabilities:

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

Total general obligation bonds	\$ 39,834,761	
Total bond anticipation notes	89,662,630	
Certificates of participation	1,094,201	
Compensated absences	624,193	
Net OPEB obligation	<u>1,447,964</u>	(132,663,749)

Total Net Position - Governmental Activities	<u>\$ 85,734,219</u>
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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, 2013

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 75,901,622	\$ -	\$ -	\$ 75,901,622
Federal sources	3,645,496	-	2,021,908	5,667,404
Other state sources	8,461,799	-	681,171	9,142,970
Other local sources	2,805,549	262,534	10,435,601	13,503,684
Total Revenues	90,814,466	262,534	13,138,680	104,215,680
EXPENDITURES				
Current				
Instruction	41,868,318	-	1,215,381	43,083,699
Instruction-related services				
Instructional supervision and administration	788,316	-	1,463	789,779
Instructional library, media, and technology	1,374,350	-	-	1,374,350
School site administration	5,003,766	-	353,965	5,357,731
Pupil services				
Home-to-school transportation	1,288,847	-	-	1,288,847
Food services	-	-	2,219,121	2,219,121
All other pupil services	6,998,462	-	-	6,998,462
General administration				
Centralized data processing	51,496	-	-	51,496
All other general administration	3,515,295	-	151,127	3,666,422
Plant services	6,427,620	-	98,573	6,526,193
Facilities acquisition and maintenance	280,195	20,169,721	859,248	21,309,164
Community services	46,056	-	-	46,056
Transfers to other agencies	4,083,035	-	-	4,083,035
Debt service				
Principal	-	-	2,695,980	2,695,980
Interest and other	-	-	4,192,873	4,192,873
Total Expenditures	71,725,756	20,169,721	11,787,731	103,683,208
Excess (Deficiency) of Revenues				
Over Expenditures	19,088,710	(19,907,187)	1,350,949	532,472
Other Financing Sources (Uses)				
Transfers in	26,600	-	-	26,600
Other sources	-	30,001,870	3,417,857	33,419,727
Transfers out	-	-	(26,600)	(26,600)
Net Financing Sources (Uses)	26,600	30,001,870	3,391,257	33,419,727
NET CHANGE IN FUND BALANCE	19,115,310	10,094,683	4,742,206	33,952,199
Fund Balance - Beginning	21,356,628	43,783,084	7,787,603	72,927,315
Fund Balance - Ending	\$ 40,471,938	\$ 53,877,767	\$ 12,529,809	\$ 106,879,514

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, 2013

Net Change in Fund Balances - Governmental Funds	\$	33,952,199
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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:	\$	21,343,224	
Depreciation expense:		<u>(5,319,103)</u>	16,024,121

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:

2,695,980

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:

(33,419,727)

Debt issuance costs:

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

Issuance costs incurred during the period:	\$	232,274	
Issuance costs amortized for the period:		<u>(92,866)</u>	139,408

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:

(77,100)

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, 2013

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:

(522,148)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(1,077,160)

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:

(681)

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:

(328,586)

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. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

237,758

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

106,749

Change in Net Position of Governmental Activities

\$ 17,730,813

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Trust Funds</u>	<u>Agency Funds</u>
	<u>Private-Purpose</u>	
	<u>Trust Fund</u>	<u>Student Body Fund</u>
ASSETS		
Cash and cash equivalents	\$ 461,342	\$ 739,142
Accounts receivable	703	-
Total Assets	\$ 462,045	\$ 739,142
LIABILITIES		
Due to student groups	-	\$ 739,142
Total Liabilities	-	\$ 739,142
NET POSITION		
Unrestricted	462,045	
Total Net Position	\$ 462,045	

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Trust Funds
	Private-Purpose
	Trust Fund
ADDITIONS	
Investment earnings	\$ 5,357
Total Additions	5,357
DEDUCTIONS	
Other trust activities	3,800
Total Deductions	3,800
CHANGE IN NET POSITION	1,557
Net Position - Beginning	460,488
Net Position - Ending	\$ 462,045

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

C. Basis of Presentation (*continued*)

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

Major Governmental Funds

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Non-Major Governmental Funds

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

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

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

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

State School Building Lease-Purchase Fund: This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings.

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

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

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Debt Service Funds (continued):

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

Fiduciary Funds

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

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, 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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Government-Wide and Fiduciary Financial Statements (continued)

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

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

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

Expenses/Expenditures

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

E. Assets, Liabilities, Fund Balance and Net Position

Cash and Cash Equivalents

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

Investments

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

Inventories

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

<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 position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, 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.

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

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

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

J. New Accounting Pronouncements

GASB Statement No. 61 – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 62 for the year ended June 30, 2013.

GASB Statement No. 63 - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 for the year ended June 30, 2013.

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has not yet determined the impact on the financial statements.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 102,462,848	\$ 461,342
Cash on hand and in banks	1,368,987	739,142
Cash with fiscal agent	4,147,940	-
Cash in revolving fund	25,046	-
Total cash and cash equivalents	\$ 108,004,821	\$ 1,200,484
Investments	\$ 429,274	-

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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.

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (continued)

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 \$102,821,633 and an amortized book value of \$102,924,190. The average weighted maturity for this pool is 701 days.

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, 2013, 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, 2013, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	\$ 1,179,102	\$ -	\$ 234,508	\$ 1,413,610	\$ -
State Government					
Apportionment	523,454	-	-	523,454	-
Categorical aid	907,242	-	15,287	922,529	-
Lottery	782,980	-	-	782,980	-
Local Government					
Other local sources	576,383	50,945	317,608	944,936	703
Total	\$ 3,969,161	\$ 50,945	\$ 567,403	\$ 4,587,509	\$ 703

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,305,189	\$ -	\$ -	\$ 4,305,189
Construction in progress	19,564,501	20,797,345	24,849,222	15,512,624
Total Capital Assets not Being Depreciated	23,869,690	20,797,345	24,849,222	19,817,813
Capital assets being depreciated				
Land improvements	3,751,870	25,252,116	-	29,003,986
Buildings & improvements	124,218,853	-	977,613	123,241,240
Furniture & equipment	6,006,767	142,985	5,411	6,144,341
Total Capital Assets Being Depreciated	133,977,490	25,395,101	983,024	158,389,567
Less Accumulated Depreciation				
Land improvements	1,666,524	522,591	-	2,189,115
Buildings & improvements	56,533,753	4,306,876	900,513	59,940,116
Furniture & equipment	4,157,060	489,636	5,411	4,641,285
Total Accumulated Depreciation	62,357,337	5,319,103	905,924	66,770,516
Governmental Activities				
Capital Assets, net	\$ 95,489,843	\$ 40,873,343	\$ 24,926,322	\$ 111,436,864

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

Due To Other Funds	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 63	\$ 63
Building Fund	3,953	-	3,953
Non-Major Governmental Funds	146,490	2,335	148,825
Total Due From Other Funds	\$ 150,443	\$ 2,398	\$ 152,841

Due from the General Fund to the Cafeteria Fund for payment of services	\$ 63
Due from the Child Development Fund to the General Fund for payment of services, indirect costs, and health & welfare payments	102,638
Due from the Child Development Fund to the Cafeteria Fund for payment of services	2,335
Due from the Cafeteria Fund to the General Fund for payment for services, indirect costs, and health & welfare payments	43,852
Due from the Building Fund to the General Fund for payments of bond goods and services and health & welfare payments	3,953
Total	\$ 152,841

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

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

Transfer from the Child Development Fund to the General Fund for the transfer of rental income	\$ 26,600
Total	\$ 26,600

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 52,276	\$ -	\$ 163	\$ -	\$ 52,439
Construction	-	853,998	483,598	-	1,337,596
Vendors payable	1,773,037	-	18,121	-	1,791,158
Unmatured interest	-	-	-	522,148	522,148
Total	\$ 1,825,313	\$ 853,998	\$ 501,882	\$ 522,148	\$ 3,703,341

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2013, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 44,635	\$ -	\$ 44,635
State categorical sources	-	5,000	5,000
Local sources	3,272,021	7,815	3,279,836
Total	\$ 3,316,656	\$ 12,815	\$ 3,329,471

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 19, 2012, the District issued \$6,937,000 of Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. By June 30, 2013, the District had paid off the notes leaving no outstanding balance.

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2013 consisted of the following:

	Balance July 01, 2012	Reclassification	Additions	Deductions	Balance June 30, 2013	Balance Due In One Year
Governmental Activities						
General obligation bonds	\$ 41,085,000	\$ -	\$ -	\$ 2,513,250	\$ 38,571,750	\$ 3,004,042
Unamortized premium	533,746	(301,432)	-	46,463	185,851	46,463
Accreted interest	-	-	1,077,160	-	1,077,160	-
Total general obligation bonds	41,618,746	(301,432)	1,077,160	2,559,713	39,834,761	3,050,505
Bond anticipation notes	56,001,757	-	30,001,870	-	86,003,627	-
Unamortized premium	-	301,432	3,417,857	60,286	3,659,003	743,858
Total bond anticipation notes	56,001,757	301,432	33,419,727	60,286	89,662,630	743,858
Certificates of participation	1,276,931	-	-	182,730	1,094,201	191,323
Early retirement incentive	237,758	-	-	237,758	-	-
Compensated absences	623,512	-	681	-	624,193	-
Net OPEB obligation	1,119,378	-	328,586	-	1,447,964	-
Total	\$ 100,878,082	\$ -	\$ 34,826,154	\$ 3,040,487	\$ 132,663,749	\$ 3,985,686

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2013 amounted to \$624,193. 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	GO Bonds Outstanding July 01, 2012	Additions	Deductions	GO Bonds Outstanding June 30, 2013
2006 Series	1/1/2006	9/1/2023	4.00%- 5.25%	\$ 36,825,170	\$ 34,085,000	\$ -	\$ 2,513,250	\$ 31,571,750
2012 Series A	5/23/2012	9/1/2016	0.32%- 3.00%	7,000,000	7,000,000	-	-	7,000,000
					\$ 41,085,000	\$ -	\$ 2,513,250	\$ 38,571,750

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, 2013, are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 1,514,042	\$ 1,756,440	\$ 3,270,482
2015	1,730,121	1,663,981	3,394,102
2016	1,963,603	1,558,710	3,522,313
2017	2,215,681	1,439,600	3,655,281
2018	2,487,621	1,305,556	3,793,177
2019 - 2023	17,311,636	3,907,892	21,219,528
2024	4,349,046	123,949	4,472,995
Total	\$ 31,571,750	\$ 11,756,128	\$ 43,327,878

The annual requirements to amortize the 2012 Series general obligation bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30,	Principal	Interest	Total
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	\$ 290,738	\$ 7,290,738

C. Certificates of Participation

A schedule of changes in the certificates of participation (COPS) for the year ended June 30, 2013 consisted of the following:

Series	Maturity Date	Interest Rate	Original Issue	COPS Outstanding July 01, 2012	Additions	Deductions	COPS Outstanding June 30, 2013
Series 2004	2018	4.88%	\$ 1,037,000	\$ 541,931	\$ -	\$ 72,730	\$ 469,201
Series 2009	2018	1.25% - 4.75%	965,000	735,000	-	110,000	625,000
				\$ 1,276,931	\$ -	\$ 182,730	\$ 1,094,201

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

C. Certificates of Participation (continued)

The annual requirements to amortize the Series 2004 Cafeteria certificates of participation as of June 30, 2013 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	92,557	5,743	98,300
2019	47,978	1,171	49,149
Total	\$ 469,201	\$ 71,448	\$ 540,649

The annual requirements to amortize the Series 2009 certificates of participation as of June 30, 2013 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	\$ 625,000	\$ 71,232	\$ 696,232

D. Bond Anticipation Notes

A schedule of changes in the bond anticipation notes (BANS) for the year ended June 30, 2013 consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	BANS Outstanding July 01, 2012	Additions	Deductions	BANS Outstanding June 30, 2013
Series C & D	5/8/2012	5/1/2017	1.82% - 2.01%	\$ 56,001,757	\$ 56,001,757	\$ -	\$ -	\$ 56,001,757
Series E & F	6/1/2013	6/15/2018	0.32%- 3.00%	30,001,870	-	3,001,870	-	3,001,870
					\$ 56,001,757	\$ 3,001,870	\$ -	\$ 59,003,627

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

D. Bond Anticipation Notes (continued)

The annual requirements to amortize the Series C & D bond anticipation notes as of June 30, 2013 are as follows:

Year Ended June 30,	BAN Series C		BAN Series D	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ -	\$ -	\$ -
2015	-	-	-	-
2016	25,999,340	1,965,660	-	-
2017	-	-	30,002,417	3,132,583
Total	\$ 25,999,340	\$ 1,965,660	\$ 30,002,417	\$ 3,132,583

The annual requirements to amortize the Series E & F bond anticipation notes as of June 30, 2013 are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ -	\$ 1,051,983	\$ 1,051,983
2015	-	1,066,800	1,066,800
2016	-	1,066,800	1,066,800
2017	-	1,066,800	1,066,800
2018	30,001,870	1,584,930	31,586,800
Total	\$ 30,001,870	\$ 5,837,313	\$ 35,839,183

E. Early Retirement Incentives

The District has in place an early retirement incentive program through PARS Trust and CalPERS, 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, 2013 the balance on the early retirement incentive has been completely paid off.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2013:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 25,000	\$ -	\$ 46	\$ 25,046
Stores inventory	86,628	-	54,759	141,387
Prepaid expenditures	85,238	7,707	134,242	227,187
All others	2,000	-	-	2,000
Total non-spendable	198,866	7,707	189,047	395,620
Restricted				
Educational programs	2,818,197	-	594,297	3,412,494
Capital projects	-	53,870,060	2,715,160	56,585,220
Debt service	-	-	7,788,940	7,788,940
All others	-	-	1,242,365	1,242,365
Total restricted	2,818,197	53,870,060	12,340,762	69,029,019
Assigned				
Adult Education	831,198	-	-	831,198
Deferred Maintenance	1,210,935	-	-	1,210,935
Special Reserve Fund for Other than Capital Outlay Projects	1,935,536	-	-	1,935,536
Other Assignments	11,283,043	-	-	11,283,043
Total assigned	15,260,712	-	-	15,260,712
Unassigned				
Reserve for economic uncertainties	3,470,530	-	-	3,470,530
Remaining unassigned	18,723,633	-	-	18,723,633
Total unassigned	22,194,163	-	-	22,194,163
Total	\$ 40,471,938	\$ 53,877,767	\$ 12,529,809	\$ 106,879,514

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.

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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 11 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

A. Plan Description and Contribution Information (continued)

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
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**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, 2013, the District contributed \$626,313 to the Plan, all of which was used for current premiums.

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		55,969
Adjustment to annual required contribution		<u>(77,870)</u>
Annual OPEB cost (expense)		954,899
Contributions made		<u>(626,313)</u>
Increase (decrease) in net OPEB obligation		328,586
Net OPEB obligation, beginning of the year		1,119,378
Net OPEB obligation, end of the year	\$	<u>1,447,964</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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, 2013 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 954,899	66%	\$ 1,447,964
2012	\$ 962,542	65%	\$ 1,119,378
2011	\$ 857,218	70%	\$ 779,487

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 January 1, 2011 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, 2013, was 26 years. An investment rate of return of 5.0% and inflation rate of 3.0% were used. The actuarial value of assets was not determined in this actuarial valuation as there were none.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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 2013 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 2,873,838	100%
2011-12	\$ 2,803,357	100%
2010-11	\$ 2,775,571	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 \$1,741,376 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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 2013 was 11.417% 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
2012-13	\$ 2,028,943	100%
2011-12	\$ 1,916,441	100%
2010-11	\$ 1,883,853	100%

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, 2013.

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, 2013.

C. Construction Commitments

As of June 30, 2013, the District had commitments with respect to unfinished capital projects of \$5,915.

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, 2013, the District made payments of \$323,686 to SMCSIG.

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REQUIRED SUPPLEMENTARY INFORMATION

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 54,378,599	\$ 73,273,955	\$ 75,901,622	\$ 2,627,667
Federal sources	3,718,804	4,026,515	3,413,977	(612,538)
Other state sources	8,386,097	6,470,149	6,661,118	190,969
Other local sources	1,922,146	1,919,012	2,577,065	658,053
Total Revenues	68,405,646	85,689,631	88,553,782	2,864,151
EXPENDITURES				
Certificated salaries	33,984,173	34,413,853	34,722,393	(308,540)
Classified salaries	10,174,507	10,374,145	10,346,143	28,002
Employee benefits	13,001,217	12,535,157	12,392,386	142,771
Books and supplies	1,965,192	2,579,675	1,597,989	981,686
Services and other operating expenditures	5,844,072	6,407,936	5,336,438	1,071,498
Capital outlay	19,480	239,294	215,404	23,890
Other outgo				
Excluding transfers of indirect costs	4,669,842	4,666,312	4,083,035	583,277
Transfers of indirect costs	(162,763)	(159,722)	(151,127)	(8,595)
Total Expenditures	69,495,720	71,056,650	68,542,661	2,513,989
Excess (Deficiency) of Revenues				
Over Expenditures	(1,090,074)	14,632,981	20,011,121	5,378,140
Other Financing Sources (Uses)				
Transfers in	26,600	26,600	26,600	-
Transfers out	(1,887,944)	(842,944)	(867,944)	(25,000)
Net Financing Sources (Uses)	(1,861,344)	(816,344)	(841,344)	(25,000)
NET CHANGE IN FUND BALANCE	(2,951,418)	13,816,637	19,169,777	5,353,140
Fund Balance - Beginning	17,324,491	17,324,491	17,324,491	-
Fund Balance - Ending	\$ 14,373,073	\$ 31,141,128	\$ 36,494,268	\$ 5,353,140

* 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 \$1,741,376 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, 2013**

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, 2013**

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, 2013, 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			
Certificated salaries	\$ 34,413,853	\$ 34,722,393	\$ 308,540

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SUPPLEMENTARY INFORMATION

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 746,150
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14957	42,002
Subtotal Title I, Part A Cluster			788,152
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	2,278
Adult Education Cluster			
Adult Education: Adult Basic Education & ESL	84.002A	14508	163,901
Adult Education: Adult Secondary Education	84.002A	13978	36,451
Adult Education: English Literacy and Civics Education	84.002A	14109	31,167
Subtotal Adult Education Cluster			231,519
Title I, Part C Cluster			
Title I, Part C, Migrant Education	84.011	14838	76,053
Title I, Migrant Ed Summer Program	84.011	14955	14,227
Subtotal Title I, Part C Cluster			90,280
Title II, Part A, Teacher Quality	84.367A	14341	312,760
Title III Cluster			
Title III, Immigrant Education Program	84.365	15146	2,817
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	267,785
Subtotal Title III Cluster			270,602
Title V, Part A, Innovative Education Strategies	84.298A	14354	10,457
Department of Rehab: Workability II, Transition Partnership	84.158	10006	75,201
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,637,597
IDEA Basic Local Assistance Entitlement, Part B, Private School ISP	84.027	10115	3,861
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	38,861
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	74,029
IDEA Preschool Staff Development, Part B	84.173A	13431	433
Subtotal Special Education Cluster			1,754,781
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	54,471
Education Jobs Fund	84.410	25152	8,733
Total U. S. Department of Education			3,599,234
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	197,759
National School Lunch Program	10.555	13391	1,407,336
USDA Commodities	10.555	*	145,871
Subtotal Child Nutrition Cluster			1,750,966
Child Care Food Program (CCFP)	10.558	13666	61,041
Total U. S. Department of Agriculture			1,812,007
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	209,554
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	36,689
Total U. S. Department of Health & Human Services			246,243
Total Federal Expenditures			\$ 5,657,484

* - 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, 2013**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	668	668
First through third	1,959	1,962
Fourth through sixth	1,854	1,857
Seventh through eighth	1,296	1,292
Home and hospital	3	4
Special education	230	229
Total Elementary	6,010	6,012
SECONDARY		
Regular classes	2,623	2,634
Continuation education	77	76
Community day school	14	17
Home and hospital	5	5
Special education	230	229
Total Secondary	2,949	2,961
Average Daily Attendance Total	8,959	8,973

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83		1986-87		Weighted Average Goal Minutes	2012-13 Actual Minutes	Number of Days
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	31,500	30,625	36,000	35,000	N/A	46,640	180
Grade 1	43,450	42,243	50,400	49,000	50,400	52,220	180
Grade 2	43,450	42,243	50,400	49,000	50,400	52,220	180
Grade 3	43,450	42,243	50,400	49,000	50,400	52,220	180
Grade 4	50,800	49,389	54,000	52,500	50,400	52,220	180
Grade 5	50,800	49,389	54,000	52,500	50,400	52,220	180
Grade 6	50,800	49,389	54,000	52,500	N/A	62,020	180
Grade 7	50,800	49,389	54,000	52,500	N/A	62,020	180
Grade 8	50,800	49,389	54,000	52,500	N/A	62,020	180
Grade 9	64,000	62,222	64,800	63,000	N/A	65,106	180
Grade 10	64,000	62,222	64,800	63,000	N/A	65,106	180
Grade 11	64,000	62,222	64,800	63,000	N/A	65,106	180
Grade 12	64,000	62,222	64,800	63,000	N/A	65,106	180

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	2014 (Budget)	2013	2012	2011
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 70,398,156	\$ 88,580,382	\$ 73,893,169	\$ 72,460,086
Expenditures And Other Financing Uses	73,755,052	69,410,605	70,399,849	75,315,165
Net change in Fund Balance	\$ (3,356,896)	\$ 19,169,777	\$ 3,493,320	\$ (2,855,079)
Ending Fund Balance	\$ 33,137,372	\$ 36,494,268	\$ 17,324,490	\$ 15,038,881
Available Reserves*	\$ 19,674,924	\$ 22,194,162	\$ 5,343,470	\$ 10,769,962
Available Reserves As A Percentage Of Outgo	26.68%	31.98%	7.59%	14.30%
Long-term Debt	\$ 128,678,063	\$ 132,663,749	\$ 100,878,082	\$ 40,216,381
Average Daily Attendance At P-2	9,047	8,959	9,087	9,368

The General Fund balance has increased by \$21,455,387 over the past two years. The fiscal year 2013-14 budget projects a decrease of \$3,356,896. 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 2013-14 fiscal year. Total long term obligations have increased by \$92,447,368 over the past two years.

Average daily attendance has decreased by 409 ADA over the past two years. An increase of 88 ADA is anticipated during the 2013-14 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, 2013**

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Special Reserve for Other Than Capital Outlay Projects
June 30, 2013, annual financial and budget report fund balance	\$ 36,494,268	\$ 831,199	\$ 1,210,935	\$ 1,935,536
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Fund balance transfer (GASB54)	3,977,670	(831,199)	(1,210,935)	(1,935,536)
Net adjustments and reclassifications	3,977,670	(831,199)	(1,210,935)	(1,935,536)
June 30, 2013, audited financial statement fund balance	\$ 40,471,938	\$ -	\$ -	\$ -

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2013**

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease- Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 474,440	\$ 1,065,048	\$ 283,478	\$ 53	\$ 522	\$ 2,525,570	\$ 7,782,199	\$ 12,131,310
Investments	149,620	-	-	-	-	153,599	-	303,219
Accounts receivable	97,518	220,108	238,813	-	-	4,222	6,741	567,403
Due from other funds	-	2,398	-	-	-	-	-	2,398
Stores inventory	-	54,759	-	-	-	-	-	54,759
Prepaid expenditures	915	5,421	127,906	-	-	-	-	134,242
Total Assets	\$ 722,493	\$ 1,347,734	\$ 650,197	\$ 53	\$ 523	\$ 2,683,391	\$ 7,788,940	\$ 13,193,331
LIABILITIES								
Accrued liabilities	\$ 16,993	\$ 1,291	\$ -	\$ -	\$ -	\$ 483,598	\$ -	\$ 501,882
Due to other funds	104,973	43,852	-	-	-	-	-	148,825
Unearned revenue	5,315	-	-	-	-	7,500	-	12,815
Total Liabilities	127,281	45,143	-	-	-	491,098	-	663,522
FUND BALANCES								
Non-spendable	915	60,226	127,906	-	-	-	-	189,047
Restricted	594,297	1,242,365	522,291	53	523	2,192,293	7,788,940	12,340,762
Total Fund Balances	595,212	1,302,591	650,197	53	523	2,192,293	7,788,940	12,529,809
Total Liabilities and Fund Balance	\$ 722,493	\$ 1,347,734	\$ 650,197	\$ 53	\$ 523	\$ 2,683,391	\$ 7,788,940	\$ 13,193,331

See accompanying note to supplementary information.

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease- Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	\$ 209,554	\$ 1,812,007	\$ -	\$ -	\$ -	\$ -	\$ 347	\$ 2,021,908
Other state sources	520,103	130,145	-	-	-	-	30,923	681,171
Other local sources	1,109,027	663,778	480,491	32	312	27,441	8,154,520	10,435,601
Total Revenues	1,838,684	2,605,930	480,491	32	312	27,441	8,185,790	13,138,680
EXPENDITURES								
Current								
Instruction	1,215,381	-	-	-	-	-	-	1,215,381
Instruction-related services								
Instructional supervision and administration	1,463	-	-	-	-	-	-	1,463
School site administration	353,965	-	-	-	-	-	-	353,965
Pupil services	-	-	-	-	-	-	-	-
Food services	-	2,219,121	-	-	-	-	-	2,219,121
General administration								
All other general administration	67,083	84,044	-	-	-	-	-	151,127
Plant services	77,829	8,565	12,179	-	-	-	-	98,573
Facilities acquisition and maintenance	-	-	-	-	-	859,248	-	859,248
Debt service								
Principal	-	72,730	110,000	-	-	-	2,513,250	2,695,980
Interest and other	-	25,570	28,462	-	-	-	4,138,841	4,192,873
Total Expenditures	1,715,721	2,410,030	150,641	-	-	859,248	6,652,091	11,787,731
Excess (Deficiency) of Revenues								
Over Expenditures	122,963	195,900	329,850	32	312	(831,807)	1,533,699	1,350,949
Other Financing Sources (Uses)								
Other sources	-	-	-	-	-	-	-	-
Transfers out	(26,600)	-	-	-	-	-	3,417,857	3,417,857
Net Financing Sources (Uses)	(26,600)	-	-	-	-	-	-	(26,600)
NET CHANGE IN FUND BALANCE	96,363	195,900	329,850	32	312	(831,807)	4,951,556	4,742,206
Fund Balance - Beginning	498,849	1,106,691	320,347	21	211	3,024,100	2,837,384	7,787,603
Fund Balance - Ending	\$ 595,212	\$ 1,302,591	\$ 650,197	\$ 53	\$ 523	\$ 2,192,293	\$ 7,788,940	\$ 12,529,809

See accompanying note to supplementary information.

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2013 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2013.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 5,667,404
Revenue due to government	N/A	(9,573)
Payment in lieu of taxes	N/A	(347)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 5,657,484</u>

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*. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*. The District used the weighted average method to achieve compliance with instructional minute time requirements.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South San Francisco Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the South San Francisco Unified School District's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control over Financial Reporting

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

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

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2013-1, #2013-2)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South San Francisco Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South San Francisco Unified School District's Response to Findings

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

Purpose of this Report

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

Christy White Associates

San Diego, California
November 25, 2013

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

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited South San Francisco Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South San Francisco Unified School District's major federal programs for the year ended June 30, 2013. South San Francisco Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South San Francisco Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South San Francisco Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South San Francisco Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, South San Francisco Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of South San Francisco Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South San Francisco Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South San Francisco Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Christy White Associates

San Diego, California
November 25, 2013

REPORT ON STATE COMPLIANCE

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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Independent Auditors' Report

Governing Board

South San Francisco Unified School District

South San Francisco, California

Report on State Compliance

We have audited South San Francisco Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of South San Francisco Unified School District's state programs for the fiscal year ended June 30, 2013, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South San Francisco Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about South San Francisco Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of South San Francisco Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, South San Francisco Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

Procedures Performed

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

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
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

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	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.

Christy White Associates

San Diego, California
November 25, 2013

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
84.010	Title I, Part A Cluster
84.367A	Title II, Part A, Teacher Quality
10.553, 10.555	Child Nutrition Cluster

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

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

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

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

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

Alta Loma Middle School

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

South San Francisco High School

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

Cause: Insufficient controls over student body activities.

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

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

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

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

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

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2013.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

There were no state award findings and questioned costs for the year ended June 30, 2013.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

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 or 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.

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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 proves 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.

Current Status: Partially Implemented, See Finding #2013-1 and District Response.

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013

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.

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. The effect on special education funding is calculated to be a reduction of \$341.

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013

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

Recommendations: The District should revise the 2011-12 P-2 report. 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.

Current Status: Implemented.

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013

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. The effect on special education funding is calculated to be a reduction of \$33,272.

Recommendation: We recommend that the District revise the P-2 attendance report, and 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.

Current Status: Implemented.

