

**SOUTH SAN FRANCISCO UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2001

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
OF SAN MATEO COUNTY
SOUTH SAN FRANCISCO, CALIFORNIA

JUNE 30, 2001

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Louis Dell'Angela	President	2002
Raymond Latham	Vice President/Clerk	2004
Shirlee Hoch	Member	2002
Romolo Braschi	Member	2002
Philip Weise	Member	2004

ADMINISTRATION

Dr. George A. Kozitza	Superintendent
Ms. Barbara Olds	Associate Superintendent, Educational Services
Dr. Frances Krug	Assistant Superintendent, Personnel Services
Mr. James Novak	Assistant Superintendent, Business Services

ORGANIZATION

The South San Francisco Unified School District (the District) was established on July 1, 1936, and is located in the City of South San Francisco, California in the County of San Mateo. There were no changes in boundaries of the District during the current year. The District operates 10 elementary schools, 3 middle schools, and 2 senior high schools, and a continuation high school. The District also maintains a children's center and an adult education school.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
South San Francisco Unified School District
South San Francisco, California

We have audited the accompanying general-purpose and combining financial statements of the South San Francisco Unified School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the South San Francisco Unified School District at June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2001, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplementary financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Vawrinek Trine Jay & Co. LLP

San Jose, California
October 18, 2001

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

ALL FUND TYPES AND ACCOUNT GROUPS COMBINED BALANCE SHEET JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 11,951,703	\$ 334,355	\$ -	\$ 75,418
Investments	8,840,554	2,452,514	1,566,349	31,645,755
Accounts receivable	5,994,247	630,208	-	10,240,112
Due from other funds	1,207,389	57,604	-	46,031,439
Stores inventory	180,020	85,081	-	-
Prepaid expenditures	39,762	1,894	-	80,551
Amount available for the retirement of general long-term debt	-	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total Assets	<u>\$ 28,213,675</u>	<u>\$3,561,656</u>	<u>\$1,566,349</u>	<u>\$ 88,073,275</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 5,590,565	\$ 408,606	\$ -	\$ 2,707,414
Due to other funds	264,899	1,090,405	-	45,941,128
Current loans	11,925,000	-	-	-
Deferred revenue	3,577,578	74,590	-	-
Due to student groups	-	-	-	-
General long-term debt	-	-	-	-
Total Liabilities	<u>21,358,042</u>	<u>1,573,601</u>	<u>-</u>	<u>48,648,542</u>
FUND EQUITY				
Fund balances				
Reserved	3,876,893	87,090	-	80,551
Unreserved				
Designated	2,287,194	66,884	-	-
Undesignated	691,546	1,834,081	1,566,349	39,344,182
Total Fund Equity	<u>6,855,633</u>	<u>1,988,055</u>	<u>1,566,349</u>	<u>39,424,733</u>
Total Liabilities and Fund Equity	<u>\$ 28,213,675</u>	<u>\$3,561,656</u>	<u>\$1,566,349</u>	<u>\$ 88,073,275</u>

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

Fiduciary Fund Types	Account Group	Total (Memorandum Only)
Trust and Agency	General Long-Term Debt	
\$ 487,961	\$ -	\$ 12,849,437
399,814	-	44,904,986
-	-	16,864,567
-	-	47,296,432
-	-	265,101
-	-	122,207
-	1,566,349	1,566,349
-	41,660,650	41,660,650
<u>\$ 887,775</u>	<u>\$ 43,226,999</u>	<u>\$ 165,529,729</u>
\$ -	\$ -	\$ 8,706,585
-	-	47,296,432
-	-	11,925,000
-	-	3,652,168
487,961	-	487,961
-	43,226,999	43,226,999
<u>487,961</u>	<u>43,226,999</u>	<u>115,295,145</u>
-	-	4,044,534
-	-	2,354,078
399,814	-	43,835,972
<u>399,814</u>	<u>-</u>	<u>50,234,584</u>
<u>\$ 887,775</u>	<u>\$ 43,226,999</u>	<u>\$ 165,529,729</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 1,346,715	1,539,142	\$ -
Local sources	42,098,987	-	-
Total Revenue Limit Sources	43,445,702	1,539,142	-
Federal revenues	1,899,600	934,130	-
Other state revenues	13,569,489	1,073,216	24,263
Other local revenues	2,176,938	2,838,465	1,978,085
Tuition and transfers	102,411	-	-
Total Revenues	61,194,140	6,384,953	2,002,348
EXPENDITURES			
Current Expenditures			
Certificated salaries	30,084,297	1,006,234	-
Classified salaries	9,111,033	1,769,640	-
Employee benefits	8,830,254	699,496	-
Books and supplies	3,076,565	1,498,630	-
Services and operating expenditures	4,896,250	856,753	-
Other outgo	2,126,480	186,704	-
Capital outlay	1,001,500	92,227	-
Debt service - principal	-	-	330,000
Debt service - interest and other	-	30,000	1,198,340
Total Expenditures	59,126,379	6,139,684	1,528,340
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	2,067,761	245,269	474,008
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	318,357	304,057	-
Operating transfers out	(575,477)	(14,300)	-
Other sources	271,420	691	-
Other uses	-	-	-
Total Other Financing Sources/(Uses)	14,300	290,448	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	2,082,061	535,717	474,008
FUND BALANCE, BEGINNING OF YEAR	4,773,572	1,452,338	1,092,341
FUND BALANCE, END OF YEAR	<u>\$ 6,855,633</u>	<u>\$ 1,988,055</u>	<u>\$ 1,566,349</u>

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

Governmental Fund Types	Fiduciary Fund Type	Total
Capital Projects	Expendable Trust	(Memorandum Only)
\$ -	\$ -	\$ 2,885,857
-	-	42,098,987
-	-	44,984,844
-	-	2,833,730
28,453,988	-	43,120,956
2,136,462	22,235	9,152,185
-	-	102,411
30,590,450	22,235	100,194,126
-	-	31,090,531
231,385	-	11,112,058
43,999	-	9,573,749
14,149	-	4,589,344
784,643	21,000	6,558,646
-	-	2,313,184
14,193,827	-	15,287,554
-	-	330,000
135,024	-	1,363,364
15,403,027	21,000	82,218,430
15,187,423	1,235	17,975,696
23,497,151	-	24,119,565
(23,529,788)	-	(24,119,565)
492,151	-	764,262
-	-	-
459,514	-	764,262
15,646,937	1,235	18,739,958
23,777,796	398,579	31,494,626
\$ 39,424,733	\$ 399,814	\$ 50,234,584

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

ALL BUDGETED GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2001

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 1,759,726	\$ 1,346,715	\$ (413,011)
Local sources	41,485,160	42,098,987	613,827
Total Revenue Limit Sources	43,244,886	43,445,702	200,816
Federal revenues	2,488,371	1,899,600	(588,771)
Other state revenues	14,355,175	13,569,489	(785,686)
Other local revenues	2,176,869	2,176,938	69
Tuition and transfers	61,976	102,411	40,435
Total Revenues	62,327,277	61,194,140	(1,133,137)
EXPENDITURES			
Current Expenditures			
Certificated salaries	30,453,066	30,084,297	368,769
Classified salaries	9,182,882	9,111,033	71,849
Employee benefits	8,924,525	8,830,254	94,271
Books and supplies	6,877,953	3,076,565	3,801,388
Services and operating expenditures	5,426,969	4,896,250	530,719
Other outgo	2,138,340	2,126,480	11,860
Capital outlay	1,090,884	1,001,500	89,384
Debt service - interest and other	-	-	-
Total Expenditures	64,094,619	59,126,379	4,968,240
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(1,767,342)	2,067,761	3,835,103
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	318,357	318,357	-
Operating transfers out	(575,477)	(575,477)	-
Other sources	250,968	271,420	20,452
Total Other Financing Sources/(Uses)	(6,152)	14,300	20,452
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	(1,773,494)	2,082,061	3,855,555
FUND BALANCE, BEGINNING OF YEAR	4,773,572	4,773,572	-
FUND BALANCE, END OF YEAR	<u>\$ 3,000,078</u>	<u>\$ 6,855,633</u>	<u>\$ 3,855,555</u>

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

Special Revenue			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,575,995	1,539,142	\$ (36,853)	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,575,995	1,539,142	(36,853)	-	-	-
963,118	934,130	(28,988)	-	-	-
1,105,680	1,073,216	(32,464)	28,453,988	28,453,988	-
2,823,345	2,838,465	15,120	2,072,840	2,136,462	63,622
-	-	-	-	-	-
6,468,138	6,384,953	(83,185)	30,526,828	30,590,450	63,622
1,084,540	1,006,234	78,306	-	-	-
1,812,462	1,769,640	42,822	231,953	231,385	568
740,869	699,496	41,373	44,173	43,999	174
1,569,101	1,498,630	70,471	15,015	14,149	866
985,548	856,753	128,795	1,303,612	784,643	518,969
190,438	186,704	3,734	-	-	-
151,433	92,227	59,206	38,501,663	14,193,827	24,307,836
30,000	30,000	-	135,043	135,024	19
6,564,391	6,139,684	424,707	40,231,459	15,403,027	24,828,432
(96,253)	245,269	341,522	(9,704,631)	15,187,423	24,892,054
304,057	304,057	-	23,497,151	23,497,151	-
(14,300)	(14,300)	-	(23,529,788)	(23,529,788)	-
3,000	691	(2,309)	509,584	492,151	(17,433)
292,757	290,448	(2,309)	476,947	459,514	(17,433)
196,504	535,717	339,213	(9,227,684)	15,646,937	24,874,621
1,452,338	1,452,338	-	23,777,796	23,777,796	-
\$ 1,648,842	\$ 1,988,055	\$ 339,213	\$ 14,550,112	\$ 39,424,733	\$ 24,874,621

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

ALL BUDGETED GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2001

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 3,335,721	\$ 2,885,857	\$ (449,864)
Local sources	41,485,160	42,098,987	613,827
Total Revenue Limit Sources	44,820,881	44,984,844	163,963
Federal revenues	3,451,489	2,833,730	(617,759)
Other state revenues	43,914,843	43,096,693	(818,150)
Other local revenues	7,073,054	7,151,865	78,811
Tuition and transfers	61,976	102,411	40,435
Total Revenues	99,322,243	98,169,543	(1,152,700)
EXPENDITURES			
Current Expenditures			
Certificated salaries	31,537,606	31,090,531	447,075
Classified salaries	11,227,297	11,112,058	115,239
Employee benefits	9,709,567	9,573,749	135,818
Books and supplies	8,462,069	4,589,344	3,872,725
Services and operating expenditures	7,716,129	6,537,646	1,178,483
Other outgo	2,328,778	2,313,184	15,594
Capital outlay	39,743,980	15,287,554	24,456,426
Debt service - interest and other	165,043	165,024	19
Total Expenditures	110,890,469	80,669,090	30,221,379
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(11,568,226)	17,500,453	29,068,679
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	24,119,565	24,119,565	-
Operating transfers out	(24,119,565)	(24,119,565)	-
Other sources	763,552	764,262	710
Total Other Financing Sources/(Uses)	763,552	764,262	710
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	(10,804,674)	18,264,715	29,069,389
FUND BALANCE, BEGINNING OF YEAR	30,003,706	30,003,706	-
FUND BALANCE, END OF YEAR	<u>\$ 19,199,032</u>	<u>\$ 48,268,421</u>	<u>\$ 29,069,389</u>

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the South San Francisco Unified School District (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, except that a complete historical cost record of fixed assets had not been maintained. The District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The District includes all funds and account groups that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee.
- Agency Funds are used to account for assets of others for which the District acts as agent.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

Account Group

The accounting and reporting treatment applied to long-term liabilities associated with a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the account group of the District.

- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Debt Service Fund which is administered by the San Mateo County Office of Education. The District's governing board adopts an operating budget no later than July 1, in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30, since they do not constitute expenditures or liabilities.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

F. Stores Inventory

Inventory in the applicable funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn form the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amount are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has elected to report such expenditures over the benefiting period.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is not significant. The noncurrent portion of the liability is recognized in the general long-term debt account group.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Mateo bills and collects the taxes for the District. The District recognizes tax revenues when received.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

K. Deferred Revenue

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

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

M. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

NOTE #2 – CASH

Cash at June 30, 2001, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *		Total	Carrying Amount
	1	3		
Cash on hand and in banks	\$572,411	\$ 157,867	\$ 730,278	\$ 711,126
Cash in revolving fund	25,115	-	25,115	25,115
Cash with fiscal agent	276,093	11,837,103	12,113,196	12,113,196
Total	<u>\$873,619</u>	<u>\$11,994,970</u>	<u>\$12,868,589</u>	<u>\$12,849,437</u>

*These categories are as follows:

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

NOTE #3 – INVESTMENTS

Investments at June 30, 2001, consist of the following:

	Reported Amount	Fair Value
U.S. Government Securities	\$ 30,313	\$ 31,730
Uncategorized:		
Deposits with county treasurer	44,869,670	44,873,439
Investment in state treasurer's pool	5,003	5,013
	<u>\$ 44,904,986</u>	<u>\$ 44,910,182</u>

A. Authorized Investments

The District is authorized to make direct investments in local agency bonds, notes or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

B. Investment in State Treasurer's Pool

The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California authorized under Section 16429.1, 2, and 3 of the California Government code. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts. The California State Treasurer administers the fund. The District deposits excess cash in LAIF for investment purposes. LAIF is not required to be categorized. The pool sponsor provided the fair value for these deposits.

C. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of San Mateo School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2001, consist of the following:

	General	Special Revenue	Capital Projects	Total
Federal Government				
Categorical aid	\$ 300,570	\$ 216,052	\$ -	\$ 516,622
State Government				
Apportionment	-	21,016	-	21,016
Categorical aid	136,383	2,876	-	139,259
Other state	1,495,470	312,189	9,703,976	11,511,635
Local Government				
Interest	298,422	-	-	298,422
Other Local Sources	3,763,402	78,075	536,136	4,377,613
Total	<u>\$ 5,994,247</u>	<u>\$ 630,208</u>	<u>\$ 10,240,112</u>	<u>\$ 16,864,567</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #5 – INTERFUND TRANSACTIONS

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

Individual fund interfund receivable and payable balances at June 30, 2001, are as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 1,207,389	\$ 264,899
Special Revenue Funds:		
Cafeteria	20,633	722,970
Child Development	161	196,703
Adult Education	17,338	170,732
Deferred Maintenance	19,472	-
Capital Projects Fund		
Building Fund	28,229,117	17,681,248
Capital Facilities		11,618
State School Building	25	-
County School Facilities	17,592,071	28,228,790
Special Reserve	210,226	19,472
Total	<u>\$ 47,296,432</u>	<u>\$ 47,296,432</u>

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2001, are as follows:

The General Fund transferred to the Special Reserve Fund for the city tax increment.	\$ 271,420
The Special Reserve-Capital Outlay Fund transferred to the General Fund for deferred maintenance.	304,057
The General Fund transferred to the Deferred Maintenance Fund for district match.	304,057
The Child Care Fund transferred to the General Fund for day care classroom rental.	14,300
The County School Facilities Fund transferred to the Special Reserve Fund for prior year expenses.	296,685
The Building Fund transferred to the County School Facilities Fund for prior year project expenses.	7,592,071
The County School Facilities Fund transferred to the Building Fund for prior year modernization projects.	15,336,975
	<u>\$ 24,119,565</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

NOTE #9 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
General obligation bonds	\$ 38,014,954	\$ -	\$ 330,000	\$ 37,684,954
Certificates of participation 1997 series	1,695,000	-	65,000	1,630,000
Certificates of participation 1994 series	1,215,000	-	30,000	1,185,000
Accumulated vacation - net	512,442	102,219	-	614,661
Postemployment benefits	431,878	290,890	194,910	527,858
Environmental Protection Agency Loan	385,603	-	33,531	352,072
ERIP Liability (PARS)	1,454,203	-	322,342	1,131,861
Arbitrage Liability	125,000	-	125,000	-
Capital leases	156,639	-	56,046	100,593
	<u>\$ 43,990,719</u>	<u>\$ 393,109</u>	<u>\$ 1,156,829</u>	<u>43,226,999</u>
Amount currently available and reserved for retirement of general long-term debt				
Bond interest and redemption				<u>1,566,349</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 41,660,650</u>

B. Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
July 1997	Sept. 2021	4.1-6.7%	\$10,000,000	\$ 8,015,000	\$ -	\$ 80,000	\$ 7,935,000
May 1999	Sept. 2023	4.2-7.2%	16,000,000	16,000,000	-	250,000	15,750,000
Nov 1999	Sept. 2024	4.95-7.0%	13,999,954	13,999,954	-	-	13,999,954
				<u>\$38,014,954</u>	<u>\$ -</u>	<u>\$330,000</u>	<u>\$37,684,954</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2002	\$ 788,698	\$ 1,181,682	\$ 1,970,380
2003	802,197	1,260,441	2,062,638
2004	833,896	1,307,909	2,141,805
2005	863,270	1,360,085	2,223,355
Thereafter	34,396,893	33,735,014	68,131,907
Total	<u>\$ 37,684,954</u>	<u>\$ 38,845,131</u>	<u>\$ 76,530,085</u>

C. Certificates of Participation

In April 1994, the South San Francisco Unified School District issued certificates of participation in the amount of \$1,325,000 with interest rates ranging from 5.7 to 6.6 percent. At June 30, 2001, the principal balance outstanding was \$1,185,000.

In February 1997, the District issued variable rate demand certificates of participation in the amount of \$1,815,000. The balance due at June 30, 2001 was \$1,630,000.

The certificates mature through 2023 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 100,000	\$ 148,383	\$ 248,383
2003	105,000	143,410	248,410
2004	110,000	138,027	248,027
2005	115,000	133,333	248,333
Thereafter	2,385,000	1,048,624	3,433,624
Total	<u>\$ 2,815,000</u>	<u>\$ 1,611,777</u>	<u>\$ 4,426,777</u>

D. EPA Loan

The EPA loan is non-interest bearing and is payable in semi-annual installments of \$16,765 through the year 2012.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

E. Capital Leases

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2002	\$ 43,692
2003	43,692
2004	21,846
Total	<u>109,230</u>
Less: Amount Representing Interest	8,637
Present Value of Minimum Lease Payments	<u><u>\$ 100,593</u></u>

F. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Currently, 90 employees meet those eligibility requirements. Eligible certificated and classified retirees receive a fixed monthly contribution of \$87.50 and \$98.42, respectively until age 65. After age 65, retirees receive a contribution of \$16 per month. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2001, expenditures of \$194,910 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2001, amounts to \$527,858. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2001, multiplied by the number of years of payments remaining until the employee reaches age 65.

G. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2001, amounted to \$614,661.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

H. Early retirement Incentive Program, Public Agency Retirement Supplement Liability

The District has in place an early retirement incentive program called the Public Agency Retirement Supplement ("PARS") whereby the District provides supplemental retirement benefits to employees participate in STRS and met the flowing criteria: (1) was a full-time permanent teacher bargaining unit member employed with the District as of January, (2) was at least fifty-five years of age (or at least fifty years of age if eligible to retire under STRS as of January 27, 1995, (3) completed five years of full-time employment as of January 27, 1995, (4) resigned from the District on or before January 27, 1995, (5) had applied for benefits under this program on or before December 16, 1994 and (6) had retired under STRS. This program is not the same as the early retirement incentive program pursuant to Education Code 22714 and 44929. As of June 30, 2001, there were a total of 31 participants in the program. The retirement payments are payable over the five following fiscal years as follows:

Year Ending June 30,	Retirement Payment
2002	\$ 320,112
2003	320,112
2004	320,112
2005	171,525
Total	<u>\$ 1,131,861</u>

NOTE #10 – EMPLOYEE RETIREMENT SYSTEMS

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

A. STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2000-2001 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 2001, 2000, and 1999 were \$2,341,946, \$2,174,306, and \$2,138,188, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

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 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (prior to January 1, 2001, 7.0 percent of monthly salary over \$133.33 if the member participates in Social Security) 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. There was no required employer contribution rate for the fiscal years ended June 30, 2001, 2000 and 1999.

C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,430,290 (5.0385 percent of salaries subject to STRS) and \$9,300 (.092 percent of salaries subject to PERS). Under generally accepted accounting principles, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (J-200). These amounts also have not been recorded in these financial statements.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #11 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

NOTE #12 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the San Mateo County Schools Insurance Group (SMCSIG). The District pays an annual premium to SMCSIG for its health, workers' compensation, and property liability coverage. The relationships between the District and the SMCSIG is such that it is not a component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

- | | |
|---------------------------|---|
| A. <u>Entity</u> | San Mateo County Schools Insurance Group |
| B. <u>Purpose</u> | To Provide Workers' Compensation, Property, Casualty, and Health Insurance programs |
| C. <u>Participants</u> | Various school district |
| D. <u>Governing Board</u> | One representative from each member district |

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

E. Condensed Audited Financial Information Follows

	June 30, 2000*
Assets	\$ 12,922,567
Liabilities	7,017,573
Fund Equity	\$ 5,904,994
Revenues	19,013,903
Expenses	18,971,674
Net Increase in Fund Equity	\$ 42,229

F. Payments for the Current Year

\$ 1,385,423

* Most recent information available

The SMCSIG had no long-term debt outstanding at June 30, 2001. The District's share of year-end assets, liabilities or fund equity has not been calculated.

NOTE #13 – NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"*. This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

- C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2003. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET JUNE 30, 2001

	Adult Education	Cafeteria	Child Development	Deferred Maintenance	Total
ASSETS					
Cash	\$ 18,999	\$ 234,306	\$ 81,050	\$ -	\$ 334,355
Investments	363,759	499,919	416,751	1,172,085	2,452,514
Accounts receivable	128,624	161,253	36,274	304,057	630,208
Due from other funds	17,338	20,633	161	19,472	57,604
Stores inventory	-	85,081	-	-	85,081
Prepaid expenditures	-	1,894	-	-	1,894
Total Assets	<u>\$ 528,720</u>	<u>\$1,003,086</u>	<u>\$ 534,236</u>	<u>\$1,495,614</u>	<u>\$3,561,656</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 129,705	\$ 80,917	\$ 30,576	\$ 167,408	\$ 408,606
Due to other funds	170,732	722,970	196,703	-	1,090,405
Deferred revenue	56,792	-	17,798	-	74,590
Total Liabilities	<u>357,229</u>	<u>803,887</u>	<u>245,077</u>	<u>167,408</u>	<u>1,573,601</u>
FUND EQUITY					
Fund balances					
Reserved	-	87,090	-	-	87,090
Unreserved					
Designated	-	66,884	-	-	66,884
Undesignated	171,491	45,225	289,159	1,328,206	1,834,081
Total Fund Equity	<u>171,491</u>	<u>199,199</u>	<u>289,159</u>	<u>1,328,206</u>	<u>1,988,055</u>
Total Liabilities and Fund Equity	<u>\$ 528,720</u>	<u>\$1,003,086</u>	<u>\$ 534,236</u>	<u>\$1,495,614</u>	<u>\$3,561,656</u>

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2001

	Adult Education	Cafeteria	Child Development
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 1,233,657	\$ 305,485	\$ -
Total Revenue Limit Sources	1,233,657	305,485	-
Federal revenues	200,756	733,374	-
Other state revenues	148,270	45,145	552,839
Other local revenues	257,347	1,911,893	623,909
Total Revenues	1,840,030	2,995,897	1,176,748
EXPENDITURES			
Current Expenditures			
Certificated salaries	771,312	-	234,922
Classified salaries	227,574	1,078,017	464,049
Employee benefits	194,607	295,590	209,299
Books and supplies	134,551	1,265,573	72,958
Services and operating expenditures	256,323	209,918	30,455
Other outgo	80,240	75,000	31,464
Capital outlay	49,704	-	42,523
Debt service - interest and other	-	30,000	-
Total Expenditures	1,714,311	2,954,098	1,085,670
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	125,719	41,799	91,078
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(14,300)
Other sources	-	-	691
Total Other Financing Sources/(Uses)	-	-	(13,609)
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	125,719	41,799	77,469
FUND BALANCE, BEGINNING OF YEAR	45,772	157,400	211,690
FUND BALANCE, END OF YEAR	\$ 171,491	\$ 199,199	\$ 289,159

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

<u>Deferred Maintenance</u>	<u>Total</u>
\$ -	\$ 1,539,142
-	1,539,142
-	934,130
326,962	1,073,216
45,316	2,838,465
<u>372,278</u>	<u>6,384,953</u>
-	1,006,234
-	1,769,640
-	699,496
25,548	1,498,630
360,057	856,753
-	186,704
-	92,227
-	30,000
<u>385,605</u>	<u>6,139,684</u>
<u>(13,327)</u>	<u>245,269</u>
304,057	304,057
-	(14,300)
-	691
<u>304,057</u>	<u>290,448</u>
290,730	535,717
1,037,476	1,452,338
<u>\$ 1,328,206</u>	<u>\$ 1,988,055</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2001

	Adult Education		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 1,269,185	\$ 1,233,657	\$ (35,528)
Total Revenue Limit Sources	1,269,185	1,233,657	(35,528)
Federal revenues	226,290	200,756	(25,534)
Other state revenues	206,619	148,270	(58,349)
Other local revenues	263,891	257,347	(6,544)
Total Revenues	1,965,985	1,840,030	(125,955)
EXPENDITURES			
Current Expenditures			
Certificated salaries	848,983	771,312	77,671
Classified salaries	246,529	227,574	18,955
Employee benefits	230,025	194,607	35,418
Books and supplies	186,025	134,551	51,474
Services and operating expenditures	304,620	256,323	48,297
Other outgo	83,612	80,240	3,372
Capital outlay	92,174	49,704	42,470
Debt service - interest and other	-	-	-
Total Expenditures	1,991,968	1,714,311	277,657
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(25,983)	125,719	151,702
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Other sources	-	-	-
Total Other Financing Sources/(Uses)	-	-	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	(25,983)	125,719	151,702
FUND BALANCE, BEGINNING OF YEAR	45,772	45,772	-
FUND BALANCE, END OF YEAR	\$ 19,789	\$ 171,491	\$ 151,702

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

Cafeteria			Child Development		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 306,810	\$ 305,485	\$ (1,325)	\$ -	\$ -	\$ -
306,810	305,485	(1,325)	-	-	-
736,828	733,374	(3,454)	-	-	-
47,042	45,145	(1,897)	567,434	552,839	(14,595)
1,920,009	1,911,893	(8,116)	598,245	623,909	25,664
3,010,689	2,995,897	(14,792)	1,165,679	1,176,748	11,069
-	-	-	235,557	234,922	635
1,081,843	1,078,017	3,826	484,090	464,049	20,041
297,259	295,590	1,669	213,585	209,299	4,286
1,272,200	1,265,573	6,627	82,876	72,958	9,918
215,204	209,918	5,286	41,649	30,455	11,194
75,000	75,000	-	31,826	31,464	362
-	-	-	59,259	42,523	16,736
30,000	30,000	-	-	-	-
2,971,506	2,954,098	17,408	1,148,842	1,085,670	63,172
39,183	41,799	2,616	16,837	91,078	74,241
-	-	-	-	-	-
-	-	-	(14,300)	(14,300)	-
-	-	-	3,000	691	(2,309)
-	-	-	(11,300)	(13,609)	(2,309)
39,183	41,799	2,616	5,537	77,469	71,932
157,400	157,400	-	211,690	211,690	-
\$ 196,583	\$ 199,199	\$ 2,616	\$ 217,227	\$ 289,159	\$ 71,932

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2001

	Deferred Maintenance		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	284,585	326,962	42,377
Other local revenues	41,200	45,316	4,116
Total Revenues	325,785	372,278	46,493
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	28,000	25,548	2,452
Services and operating expenditures	424,075	360,057	64,018
Other outgo	-	-	-
Capital outlay	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	452,075	385,605	66,470
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(126,290)	(13,327)	112,963
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	304,057	304,057	-
Operating transfers out	-	-	-
Other sources	-	-	-
Total Other Financing Sources/(Uses)	304,057	304,057	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	177,767	290,730	112,963
FUND BALANCE, BEGINNING OF YEAR	1,037,476	1,037,476	-
FUND BALANCE, END OF YEAR	\$ 1,215,243	\$ 1,328,206	\$ 112,963

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

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,575,995	\$ 1,539,142	\$ (36,853)
1,575,995	1,539,142	(36,853)
963,118	934,130	(28,988)
1,105,680	1,073,216	(32,464)
2,823,345	2,838,465	15,120
6,468,138	6,384,953	(83,185)
1,084,540	1,006,234	78,306
1,812,462	1,769,640	42,822
740,869	699,496	41,373
1,569,101	1,498,630	70,471
985,548	856,753	128,795
190,438	186,704	3,734
151,433	92,227	59,206
30,000	30,000	-
6,564,391	6,139,684	424,707
(96,253)	245,269	341,522
304,057	304,057	-
(14,300)	(14,300)	-
3,000	691	(2,309)
292,757	290,448	(2,309)
196,504	535,717	339,213
1,452,338	1,452,338	-
\$ 1,648,842	\$ 1,988,055	\$ 339,213

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET JUNE 30, 2001

	Building	Capital Facilities	State School Building	Special Reserve
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 75,418
Investments	7,409,010	598,873	934	15,087,051
Accounts receivable	534,222	1,899	-	15
Due from other funds	28,229,117	-	25	210,226
Prepaid expenditures	-	80,551	-	-
Total Assets	<u>\$ 36,172,349</u>	<u>\$ 681,323</u>	<u>\$ 959</u>	<u>\$ 15,372,710</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 2,608,652	\$ 8,438	\$ -	\$ 65,254
Due to other funds	17,681,248	11,618	-	19,472
Total Liabilities	<u>20,289,900</u>	<u>20,056</u>	<u>-</u>	<u>84,726</u>
FUND EQUITY				
Reserved	-	80,551	-	-
Unreserved				
Undesignated	15,882,449	580,716	959	15,287,984
Total Fund Equity	<u>15,882,449</u>	<u>661,267</u>	<u>959</u>	<u>15,287,984</u>
Total Liabilities and Fund Equity	<u>\$ 36,172,349</u>	<u>\$ 681,323</u>	<u>\$ 959</u>	<u>\$ 15,372,710</u>

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

County School Facilities	Total
\$ -	\$ 75,418
8,549,887	31,645,755
9,703,976	10,240,112
17,592,071	46,031,439
-	80,551
<u>\$ 35,845,934</u>	<u>\$ 88,073,275</u>

\$ 25,070	\$ 2,707,414
28,228,790	45,941,128
<u>28,253,860</u>	<u>48,648,542</u>

-	80,551
7,592,074	39,344,182
<u>7,592,074</u>	<u>39,424,733</u>
<u>\$ 35,845,934</u>	<u>\$ 88,073,275</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2001

	Building	Capital Facilities	State School Building
REVENUES			
Other state revenues	\$ -	\$ -	\$ -
Other local revenues	192,707	695,845	52
Total Revenues	192,707	695,845	52
EXPENDITURES			
Current Expenditures			
Classified salaries	231,385	-	-
Employee benefits	43,999	-	-
Books and supplies	-	2,448	-
Services and operating expenditures	6,124	255,303	-
Capital outlay	619,045	20,423	-
Debt service - interest and other	-	101,493	-
Total Expenditures	900,553	379,667	-
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(707,846)	316,178	52
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	15,336,975	-	-
Operating transfers out	(7,592,071)	-	-
Other sources	-	17,567	-
Total Other Financing Sources/(Uses)	7,744,904	17,567	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	7,037,058	333,745	52
FUND BALANCE, BEGINNING OF YEAR	8,845,391	327,522	907
FUND BALANCE, END OF YEAR	\$ 15,882,449	\$ 661,267	\$ 959

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

Special Reserve	County School Facilities	Total
\$ -	\$ 28,453,988	\$ 28,453,988
813,018	434,840	2,136,462
<u>813,018</u>	<u>28,888,828</u>	<u>30,590,450</u>
-	-	231,385
-	-	43,999
6,075	5,626	14,149
523,216	-	784,643
304,820	13,249,539	14,193,827
33,531	-	135,024
<u>867,642</u>	<u>13,255,165</u>	<u>15,403,027</u>
<u>(54,624)</u>	<u>15,633,663</u>	<u>15,187,423</u>
568,105	7,592,071	23,497,151
(304,057)	(15,633,660)	(23,529,788)
474,584	-	492,151
<u>738,632</u>	<u>(8,041,589)</u>	<u>459,514</u>
684,008	7,592,074	15,646,937
14,603,976	-	23,777,796
<u>\$ 15,287,984</u>	<u>\$ 7,592,074</u>	<u>\$ 39,424,733</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2001

	Building		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Other state revenues	\$ -	\$ -	\$ -
Other local revenues	375,000	192,707	(182,293)
Total Revenues	375,000	192,707	(182,293)
EXPENDITURES			
Current Expenditures			
Classified salaries	231,953	231,385	568
Employee benefits	44,173	43,999	174
Books and supplies	-	-	-
Services and operating expenditures	6,150	6,124	26
Capital outlay	16,500,729	619,045	15,881,684
Debt service - interest and other	-	-	-
Total Expenditures	16,783,005	900,553	15,882,452
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(16,408,005)	(707,846)	15,700,159
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	15,336,975	15,336,975	-
Operating transfers out	(7,592,071)	(7,592,071)	-
Other sources	-	-	-
Total Other Financing Sources/(Uses)	7,744,904	7,744,904	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	(8,663,101)	7,037,058	15,700,159
FUND BALANCE, BEGINNING OF YEAR	8,845,391	8,845,391	-
FUND BALANCE, END OF YEAR	\$ 182,290	\$ 15,882,449	\$ 15,700,159

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

Capital Facilities			State School Building		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
458,000	695,845	237,845	-	52	52
458,000	695,845	237,845	-	52	52
-	-	-	-	-	-
-	-	-	-	-	-
3,000	2,448	552	-	-	-
334,735	255,303	79,432	-	-	-
266,887	20,423	246,464	-	-	-
101,512	101,493	19	-	-	-
706,134	379,667	326,467	-	-	-
(248,134)	316,178	564,312	-	52	52
-	-	-	-	-	-
-	-	-	-	-	-
35,000	17,567	(17,433)	-	-	-
35,000	17,567	(17,433)	-	-	-
(213,134)	333,745	546,879	-	52	52
327,522	327,522	-	907	907	-
\$ 114,388	\$ 661,267	\$ 546,879	\$ 907	\$ 959	\$ 52

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2001

	Special Reserve		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Other state revenues	\$ -	\$ -	\$ -
Other local revenues	805,000	813,018	8,018
Total Revenues	805,000	813,018	8,018
EXPENDITURES			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	6,315	6,075	240
Services and operating expenditures	962,727	523,216	439,511
Capital outlay	892,508	304,820	587,688
Debt service - interest and other	33,531	33,531	-
Total Expenditures	1,895,081	867,642	1,027,439
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(1,090,081)	(54,624)	1,035,457
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	568,105	568,105	-
Operating transfers out	(304,057)	(304,057)	-
Other sources	474,584	474,584	-
Total Other Financing Sources/(Uses)	738,632	738,632	-
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES/(USES)	(351,449)	684,008	1,035,457
FUND BALANCE, BEGINNING OF YEAR	14,603,976	14,603,976	-
FUND BALANCE, END OF YEAR	\$ 14,252,527	\$ 15,287,984	\$ 1,035,457

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

County School Facilities			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 28,453,988	\$ 28,453,988	\$ -	28,453,988	28,453,988	\$ -
434,840	434,840	-	2,072,840	2,136,462	63,622
28,888,828	28,888,828	-	30,526,828	30,590,450	63,622
-	-	-	231,953	231,385	568
-	-	-	44,173	43,999	174
5,700	5,626	74	15,015	14,149	866
-	-	-	1,303,612	784,643	518,969
20,841,539	13,249,539	7,592,000	38,501,663	14,193,827	24,307,836
-	-	-	135,043	135,024	19
20,847,239	13,255,165	7,592,074	40,231,459	15,403,027	24,828,432
8,041,589	15,633,663	7,592,074	(9,704,631)	15,187,423	24,892,054
7,592,071	7,592,071	-	23,497,151	23,497,151	-
(15,633,660)	(15,633,660)	-	(23,529,788)	(23,529,788)	-
-	-	-	509,584	492,151	(17,433)
(8,041,589)	(8,041,589)	-	476,947	459,514	(17,433)
-	7,592,074	7,592,074	(9,227,684)	15,646,937	24,874,621
-	-	-	23,777,796	23,777,796	-
\$ -	\$ 7,592,074	\$ 7,592,074	\$ 14,550,112	\$ 39,424,733	\$ 24,874,621

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES TRUST AND AGENCY FUNDS COMBINING BALANCE SHEET JUNE 30, 2001

	Expendable Trust Foundation	Agency	Total
ASSETS			
Cash	\$ -	\$ 487,961	\$ 487,961
Investments	399,814	-	399,814
Total Assets	<u>\$ 399,814</u>	<u>\$ 487,961</u>	<u>\$ 887,775</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Due to student groups	\$ -	\$ 487,961	\$ 487,961
Total Liabilities	<u>-</u>	<u>487,961</u>	<u>487,961</u>
FUND EQUITY			
Unreserved			
Undesignated	399,814	-	399,814
Total Fund Equity	<u>399,814</u>	<u>-</u>	<u>399,814</u>
Total Liabilities and Fund Equity	<u>\$ 399,814</u>	<u>\$ 487,961</u>	<u>\$ 887,775</u>

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2001

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Elementary School Sites	\$ 119,785	\$ 329,745	\$ 320,326	\$ 129,204
Middle Schools:				
Alta Loma	21,589	66,482	76,689	11,382
Parkway	24,648	72,658	78,345	18,961
Westborough	44,539	249,832	244,694	49,677
Total Middle Schools	90,776	388,972	399,728	80,020
High Schools:				
El Camino	82,150	456,820	456,311	82,659
South San Francisco	162,604	502,084	468,610	196,078
Total High Schools	244,754	958,904	924,921	278,737
Total Assets and Liabilities	\$ 455,315	\$1,677,621	\$1,644,975	\$ 487,961

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

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SUPPLEMENTARY INFORMATION

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
IASA Chapter 1 ^[1]	84.010	03628	\$ 626,281
Vocational Education C.D. Perkins	84.048	03577	124,145
Vocational Education Act Part 2C	84.174	03573	45,373
Adult Basic Education	84.002	03303	76,612
Drug Free Schools	84.184	03452	44,407
Migrant Education	84.011	03239	29,985
Federal CSR - Title VI ^[1]	84.298	03180	212,388
ECIA - Title VI	84.158	03340	44,028
Education for Economic Security	84.165	N/A	20,518
Special Education			
Local Assistance	84.027	03379	744,250
Preschool	84.173	03431	24,219
Project Workability	84.027	03705	60,997
Discretionary Grants - In Service	84.029	03612	4,850
Medical Services Claim	93.575	10113	42,303
Subtotal			<u>2,100,356</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program ^[1]	10.555	03755	733,374
Total Expenditures of Federal Awards			<u><u>\$ 2,833,730</u></u>

^[1]Tested as a major program

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2001

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	650	649
First through third	2,174	2,172
Fourth through sixth	2,155	2,154
Seventh and eighth	1,252	1,251
Extended Year Programs	10	10
Home and hospital	2	2
Special education	184	187
Total Elementary	6,427	6,425
SECONDARY		
Regular classes	2,730	2,706
Continuation education	43	43
Community Day School	7	9
Home and hospital	3	1
Special education	97	96
Extended Year Programs	5	5
Total Secondary	2,885	2,860
Total K-12	9,312	9,285
CLASSES FOR ADULTS		
Concurrently enrolled	11	11
Not concurrently enrolled	565	575
Total Classes for Adults	576	586
Grand Total	9,888	9,871
SUMMER SCHOOL		Hours of Attendance
Elementary		38,602
High School		58,783
Total Hours		97,385

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2001

Grade Level	1986-87 Minutes Requirement	1982-83 Actual Minutes	2000-01 Actual Minutes	Status
Kindergarten	36,000	35,920	36,000	In Compliance
Grades 1 - 3	51,840 *	50,672 *	52,140	In Compliance
Grades 4 - 6	51,840 *	50,672 *	52,140	In Compliance
Grades 7 - 8	54,000	52,700	60,783	In Compliance
Grades 9 - 12	64,800	63,440	65,303	In Compliance

* The minutes requirements for the 1986-87 and 1982-83 for grades 1-3 and 4-5 has been calculated in accordance with the averaging method prescribed by the Program Advisory 86-06 and Ed. Code Sec. 46201

	1986-1987	1982-1983
Actual Minutes		
Grades 1-3	50,400	49,320
Grades 4-5	54,000	52,700
Minutes multiplied by classes		
Grades 1-3	151,200	147,960
Grades 4-5	108,000	105,400
	<u>259,200</u>	<u>253,360</u>
Total number of classes	5	5
	<u>51,840</u>	<u>50,672</u>

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

All District Fund Balances agree to the audited financial statements at June 30, 2001.

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2001

	(Budget) 2002 ¹	2001	2000	1999
GENERAL FUND				
Revenues	\$ 61,071,182	\$ 61,783,917	\$ 54,034,903	\$ 52,376,980
Expenditures	58,954,949	59,126,379	52,785,648	50,346,968
Other uses and transfers out	535,553	575,477	566,639	1,923,452
Total Expenditures and Other Uses	59,490,502	59,701,856	53,352,287	52,270,420
INCREASE/(DECREASE) IN FUND BALANCE	\$ 1,580,680	\$ 2,082,061	\$ 682,616	\$ 106,560
ENDING FUND BALANCE	\$ 8,436,313	\$ 6,855,633	\$ 4,773,848	\$ 4,091,232
AVAILABLE RESERVES ²	\$ 1,784,715	\$ 2,482,614	\$ 1,767,111	\$ 1,470,921
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.0%	4.2%	3.3%	2.8%
LONG-TERM DEBT	\$ 41,950,000	\$ 43,226,999	\$ 43,990,719	\$ 29,835,259
AVERAGE DAILY ATTENDANCE AT P-2 ³	9,253	9,312	9,531	9,640

The general fund balance has increased by \$2,764,401 over the past three years. The fiscal year 2001-02 budget projects a further increase of \$1,580,680. For a district this size, the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo).

Total long-term debt has increased by \$13,391,740 over the past three years as a result of issuance of general obligation bonds during the past two years.

Average daily attendance has decreased by 328 over the past three years. Additional decline of 59 ADA is anticipated during fiscal year 2001-2002.

¹ Budget 2002 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund.

³ Excludes Adult Education ADA.

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2001

NOTE #1 - PURPOSE OF SCHEDULES

A. 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*.

B. 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 apportionment's 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.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

D. 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 Form J-200 to the audited financial statements.

E. 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.

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

Board of Trustees
South San Francisco Unified School District
South San Francisco, California

We have audited the financial statements of the South San Francisco Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 18, 2001. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South San Francisco Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vannink Trine Jay & Co. LLP

San Jose, California
October 18, 2001



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
South San Francisco Unified School District
South San Francisco, California

Compliance

We have audited the compliance of the South San Francisco Unified School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. South San Francisco Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of South San Francisco Unified School District's management. Our responsibility is to express an opinion on South San Francisco Unified School District's compliance based on our audit.

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

In our opinion, South San Francisco Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of South San Francisco Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered South San Francisco Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vannick Trine Day & Co. LLP

San Jose, California
October 18, 2001



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
South San Francisco Unified School District
South San Francisco, California

We have audited the financial statements of the South San Francisco Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 18, 2001. In our report, our opinion was qualified because the South San Francisco Unified School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of South San Francisco Unified School District is responsible for compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the South San Francisco Unified School District's compliance with the laws and regulations of the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	3	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	No
Continuation education	12	Yes
Adult education	8	Yes
Regional occupational centers/programs	5	Not Applicable
County Office of Education programs	9	Not Applicable

IV.5

	Procedures in Controller's Audit Guide	Procedures Performed
Incentives for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not Applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not Applicable
Community day schools	8	No
Class size reduction program:		
Option one classes	11	Yes
Option two classes	10	Not Applicable
Both options one and two classes	16	Not Applicable
Reduce class size in two courses in grade 9	8	Yes
State instructional materials fund (K-8)	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public School Library Act of 1998	4	Yes
Computer Usage	2	Yes
Office of Criminal Justice Planning	-	Not Applicable

We did not perform testing for Community Day Schools and Independent Study because the recorded ADA for each of these programs was below the minimum threshold.

Based on our audit, we found that, for the items tested, the South San Francisco Unified School District complied with the state laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the South San Francisco Unified School District had not complied with the laws and regulations.

Vannick Trine Jay & Co. LLP

San Jose, California
October 18, 2001

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2001

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Qualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.01</u>	<u>Title I</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>84.298</u>	<u>Federal Class Size Reduction</u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2001

There were no findings that represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government audit standards.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no findings that represent reportable conditions, material weaknesses, and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

There were no findings that represent instances of noncompliance and questioned costs relating to state program laws and regulations.