

**SOUTH SAN FRANCISCO UNIFIED
SCHOOL DISTRICT**

**COUNTY OF SAN MATEO
SOUTH SAN FRANCISCO, CALIFORNIA**

AUDIT REPORT

June 30, 2008

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2008

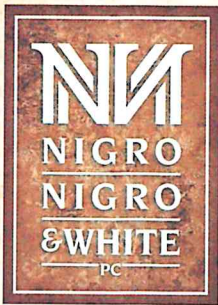
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A Professional
Accountancy Corporation

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE

PH: 951.698.8783

FAX: 951.699.1064

25090 Jefferson Avenue

Murrieta, CA 92562

SAN DIEGO OFFICE

PH: 619.270.8222

FAX: 619.260.9085

2727 Camino Del Rio S.

Suite 219

San Diego, CA 92108

MEMBERS OF

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South San Francisco Unified School District

South San Francisco, California

INDEPENDENT AUDITORS' REPORT

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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South San Francisco Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South San Francisco Unified School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008 on our consideration of the South San Francisco Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 and budgetary comparison information on page 44 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise South San Francisco Unified School District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Nijid Nijid & White, PC

San Diego, California
November 20, 2008

Management's Discussion and Analysis

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

This discussion and analysis of South San Francisco Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Some of the fiscal highlights for the South San Francisco Unified School District include:

- Total government-wide net assets increased 4.1% over the course of the year.
- Overall revenues were \$84.7 million, \$3 million more than expenses.
- The total cost of basic programs was \$81.7 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$65.1 million.
- General Fund expenditures were impacted by Level 1 Budget Reductions, implemented by the Board of Trustees. These reductions required the freezing of all non-emergency expenditures by the District for the majority of the final quarters of the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

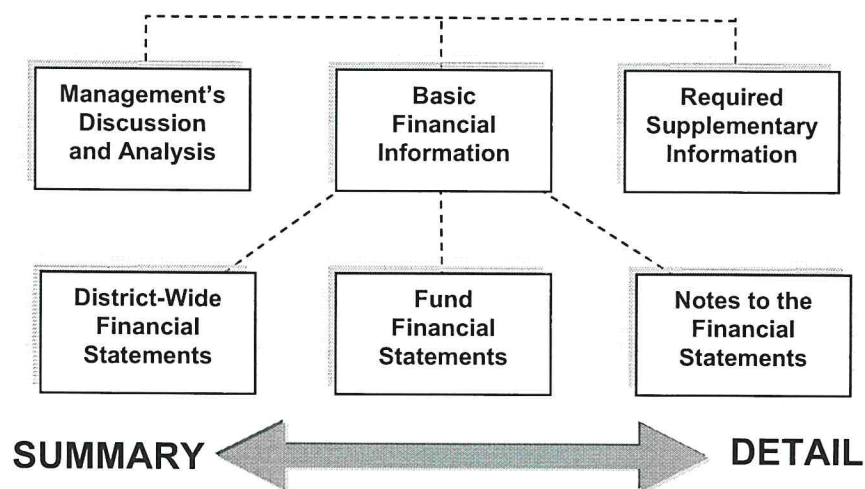
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of South San Francisco Unified School District's Annual Financial Report



SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

Figure A-2 summarizes the major features of the District's financials statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Statements

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

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were greater on June 30, 2008, than they were the year before – increasing 4% to \$75.3 million (See Table A-1).

Table A-1
South San Francisco Unified School District's Net Assets

	Governmental Activities		Total Percentage Change
	2007	2008	2007-08
Current and other assets	\$34,119,149	\$35,705,368	5%
Capital assets	90,563,943	88,965,020	-2%
Total assets	124,683,092	124,670,388	0%
Long-term debt outstanding	41,030,500	41,024,555	0%
Other liabilities	11,342,595	8,340,040	-26%
Total liabilities	52,373,095	49,364,595	-6%
Total net assets	\$72,309,997	\$75,305,793	4%

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, Continued

Changes in net assets, governmental activities. The District's total revenues were \$84.7 million (See Table A-2). The increase is due primarily to cost-of-living increases on state apportionments.

The total cost of all programs and services was \$81.7 million. The District's expenses are predominantly related to educating and caring for students, 98%. The purely administrative activities of the District accounted for just 2% of total costs.

Table A-2
Changes in South San Francisco Unified School District's Net Assets

	Governmental Activities		Total Percentage Change
	2007	2008	2007-08
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 1,946,615	\$ 2,016,860	4%
Federal & state categorical programs	14,987,755	14,658,709	-2%
<i>General revenues</i>			
Property taxes	42,425,079	44,676,260	5%
State formula aid	20,674,210	20,610,311	0%
Other revenues	3,209,807	2,797,116	-13%
Total revenues	83,243,466	84,759,256	2%
Expenses:			
Instruction-related	48,396,311	47,870,876	-1%
Student support services	6,305,368	6,845,372	9%
Maintenance & operations	7,986,329	7,983,985	0%
Administration	4,257,868	4,351,339	2%
Other expenses	13,345,130	14,711,888	10%
Total expenses	80,291,006	81,763,460	2%
Increase in net assets	\$ 2,952,460	\$ 2,995,796	1%

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, Continued

Table A-3 presents the cost of five major District activities: instruction and instruction related; student support services; general administration; maintenance, operations and facility acquisition; and miscellaneous other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

- The cost of all *governmental* activities this year was \$81.8 million.
- Some of the cost was paid by the users of the District's programs (\$2.0 million).
- The federal and state governments subsidized programs with grants and contributions (\$14.7 million).
- Most of the District's costs (\$65.1 million), however, were paid for by District taxpayers and the taxpayers of California. This portion of governmental activities was paid for with property taxes, unrestricted state aid based on the statewide education aid formula, and with investment earnings.

Table A-3
Net Costs of South San Francisco Unified School District's
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 52,874,129	\$ 42,157,323
Pupil support services	6,845,372	2,852,370
Maintenance & operations	7,983,985	7,112,666
Administration	4,351,339	3,556,639
Other expenses	9,708,635	9,408,893
Total expenses	<u>\$ 81,763,460</u>	<u>\$ 65,087,891</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S 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 \$27.9 million, which is above last year's ending fund balance of \$24.7 million. The District's General Fund had \$2.5 million in revenues over expenditures and other financing uses in 2008, due to additional state revenues and realignment of budgeted expenditures.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased to reflect federal and state budget actions
- Discretionary expenditures – reduced by Level 1 Budget Reductions
- Services and other specific operating expenses increased with cost-of-living
- Interfund transfers to reflect the most recent redevelopment proceeds receipts

While the District's final budget for the general fund anticipated expenditures would exceed revenues by about \$4.8 million the actual results for the year show that revenues exceeded expenditures by roughly \$2.6 million. Actual revenues were \$237,738 less than anticipated, but expenditures were \$7.8 million less than budgeted. That amount consists primarily of a favorable \$5.9 million expenditure variance for books and supplies, due to program carryovers and actual expenditures being less than anticipated in the fiscal year 2007-08.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007-08 the District had invested over \$132.4 million in capital assets, as shown in Table A-4. (More detailed information about the District's long-term capital asset is presented in Note 6 to the financial statements.)

Table A-4
South San Francisco Unified School District's Capital Assets

	Governmental Activities		Total Percentage
	2007	2008	Change
			2007-08
Land	\$4,305,189	\$4,305,189	0%
Site Improvements	3,028,927	3,028,927	0%
Buildings	118,837,422	119,941,459	1%
Equipment and furniture	3,269,880	3,402,776	4%
Work in progress	64,834	1,733,081	2573%
Total	<u>\$129,506,252</u>	<u>\$132,411,432</u>	<u>2%</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

Long-Term Debt

At year-end the District had \$41 million in general obligation bonds, capital leases and employment benefits – 3% decrease from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

Table A-5
South San Francisco Unified School District's Long-Term Debt

			Total
			Percentage Change
	2007	2008	2007-08
General obligation bonds	\$36,825,170	\$36,435,170	-1%
Certificates of participation	2,048,034	1,905,884	-7%
Compensated absences	637,371	617,652	-3%
Early retirement incentives	1,402,578	1,982,034	41%
Environmental protection agency loan	117,347	83,815	-29%
Total	\$41,030,500	\$41,024,555	0%

FACTORS BEARING ON THE DISTRICT'S FUTURE

On September 23, 2008, Governor Schwarzenegger signed the 2008-09 Budget, ending the longest budget stalemate in California's history. The final spending plan includes \$24.0 billion of "solutions", including \$10.3 billion in spending cuts, \$9.6 billion in revenue-related provisions, and \$4.0 billion in borrowing.

The final budget agreement includes:

- A total of \$10.3 billion in spending reductions, including \$3.3 billion in cuts to "base" K-14 education spending.
- Changes to the budget process that would substantially increase the size of the state's reserve and limit the use of future revenues that exceed anticipated levels. The agreement also would give governors vast new power to unilaterally reduce spending midway through the budget year.
- Assumes that the state will issue bonds backed by lottery proceeds in 2009-10. The budget agreement includes provisions aimed at doubling the amount Californians spend on lottery purchases and would replace schools' allocation from lottery proceeds with a General Fund appropriation equivalent to the amount allocated to education from the lottery in 2008-09. The General Fund allocation for education would increase over time based on enrollment and per capita personal income growth.
- A one-time shift of \$350 million in property tax revenues from redevelopment agencies to schools and a commensurate reduction in state General Fund support for schools and community colleges.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

As signed by the Governor, the 2008-09 Budget provides \$58.1 billion in funding for K-14 education programs under the Proposition 98 guarantee. The Budget reduces "base" K-14 education spending by \$3.3 billion. The 2008-09 Budget and related legislation:

- Provides a 0.68 percent COLA to fund revenue limits for school districts and county offices of education, which is below the 5.66 percent statutory COLA and the 2.12 percent COLA proposed by the Conference Committee. The 2008-09 Budget does not provide a COLA for categorical programs, such as class size reduction and instructional materials.
- Do not provide \$150 million in 2008-09 Proposition 98 "settle-up" funds needed to meet prior-year Proposition 98 obligations.

However, State tax receipt and other revenues continue well below anticipated levels. Strategies for significant fiscal relief appear imminent in the short term.

In addition, the County of San Mateo concluded long-standing litigation recently with respect to an appeal of assessed valuation on property owned by a large biotechnology firm located in South San Francisco. Post-settlement, the property in question was reassessed upwards, thereby enhancing property tax rolls for future years. Given the deflated 2008-09 revenue limit entitlement noted above, it is possible that the District's property tax proceeds may exceed its revenue limit entitlement in future years, thereby qualifying the District as basic aid.

Proposed to modify Proposition 49, the After School Education and Safety Program (ASES) Act, by submitting a ballot measure to voters in November 2008. However, the Governor vetoed the bill that would have submitted the measure to voters. The measure would have removed Proposition 49's minimum funding level of \$550 million and would have allowed annual ASES budgeting decisions to be made by the Legislature.

Otherwise, enrollment fluctuations due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes may cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (650) 877-8707, South San Francisco Unified School District, 398 B Street, South San Francisco, CA 94080

Financial Section

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Total Governmental Activities
ASSETS	
Cash	\$ 28,674,917
Investments	876,548
Accounts receivable	5,591,831
Stores	167,163
Prepaid expenses	394,909
Capital assets:	
Land	4,305,189
Improvement of sites	3,028,927
Buildings	119,941,458
Furniture and equipment	3,402,776
Work in progress	1,733,081
Less accumulated depreciation	(43,446,411)
Total capital assets, net of depreciation	88,965,020
Total assets	124,670,388
LIABILITIES	
Accounts payable and current liabilities	7,968,271
Deferred revenues	371,769
Long-term liabilities:	
Portion due or payable within one year	
General obligation bonds payable	657,777
Certificates of participation payable	149,973
EPA Loan	33,532
Early retirement incentive	723,920
Total due within one year:	1,565,202
Portion due or payable after one year	
General obligation bonds payable	35,777,393
Certificates of participation payable	1,755,911
EPA Loan	50,283
Compensated absences payable	617,652
Early retirement incentive	1,258,114
Total due after one year:	39,459,353
Total liabilities	49,364,595
NET ASSETS	
Invested in capital assets, net of related debt	51,791,214
Restricted for:	
Capital projects	4,402,858
Debt service	2,270,509
Educational programs	5,623,769
Unrestricted	11,217,443
Total Net Assets	\$ 75,305,793

The notes to the financial statements are an integral part of this statement.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Instructional Services:				
Instruction	\$ 43,245,523	\$ 541,570	\$ 8,974,331	\$ (33,729,622)
Instruction-Related Services:				
Supervision of instruction	3,333,837	60,214	207,835	(3,065,788)
Instructional library, media and technology	1,291,516	-	38,082	(1,253,434)
School site administration	5,003,253	84,121	810,653	(4,108,479)
Pupil Support Services:				
Home-to-school transportation	772,487	-	356,018	(416,469)
Food services	2,380,883	957,640	1,321,073	(102,170)
All other pupil services	3,692,002	60,039	1,298,232	(2,333,731)
General Administration Services:				
Data processing services	250,476	-	-	(250,476)
Other general administration	4,100,863	87,444	707,256	(3,306,163)
Plant services	7,983,985	87,264	784,055	(7,112,666)
Community services	19,842	-	-	(19,842)
Interest on long-term debt	779,265	-	-	(779,265)
Other outgo	4,403,589	138,568	161,174	(4,103,847)
Depreciation (unallocated)	4,505,939	-	-	(4,505,939)
Total Governmental Activities	\$ 81,763,460	\$ 2,016,860	\$ 14,658,709	\$ (65,087,891)

General Revenues:

Taxes:

Property taxes, levied for general purposes	\$ 41,925,958
Property taxes, levied for debt services	2,750,302
Federal and state aid not restricted to specific purpose	20,610,311
Interest and investment earnings	795,273
Interagency revenues	8,122
Miscellaneous	1,993,721

Total general revenues 68,083,687

Change in net assets 2,995,796

Net assets - July 1, 2007 72,309,997

Net assets - June 30, 2008 \$ 75,305,793

The notes to the financial statements are an integral part of this statement.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 16,254,581	\$ 12,420,336	\$ 28,674,917
Investments	581,070	295,478	876,548
Accounts receivable	4,843,502	748,329	5,591,831
Due from other funds	378,103	228,201	606,304
Inventories	125,461	41,702	167,163
Prepaid expenditures	288,094	106,815	394,909
Total Assets	<u>\$ 22,470,811</u>	<u>\$ 13,840,861</u>	<u>\$ 36,311,672</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 4,499,034	\$ 585,565	\$ 5,084,599
Due to other funds	217,953	388,351	606,304
Current loans	2,333,878	-	2,333,878
Deferred revenue	228,534	143,235	371,769
Total Liabilities	<u>7,279,399</u>	<u>1,117,151</u>	<u>8,396,550</u>
Fund Balances			
Reserved for:			
Inventories	125,461	41,702	167,163
Revolving cash	25,000	230	25,230
Prepaid expenditures	288,094	106,815	394,909
Debt service	-	2,270,509	2,270,509
Legally restricted balance	5,623,769	149,057	5,772,826
Unreserved; reported in:			
General fund	9,129,088		9,129,088
Capital project funds	-	5,470,571	5,470,571
Special revenue funds	-	4,684,823	4,684,823
Total Fund Balances	<u>15,191,412</u>	<u>12,723,708</u>	<u>27,915,120</u>
Total Liabilities and Fund Balances	<u>\$ 22,470,811</u>	<u>\$ 13,840,859</u>	<u>\$ 36,311,670</u>

The notes to the financial statements are an integral part of this statement.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds \$ 27,915,120

Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$132,411,432 and the accumulated depreciation is (\$43,446,412). 88,965,020

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 unmatrued interest owing at the end of the period was: (549,792)

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

Certificates of participation payable	1,905,884	
Early retirement incentives	1,982,034	
Compensated absences payable	617,652	
General obligations payable	36,435,170	
Other general long-term debt	83,815	
	(41,024,555)	(41,024,555)

Total net assets - governmental activities \$ 75,305,793

The notes to the financial statements are an integral part of this statement.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General Revenues:			
Property taxes	\$ 41,925,958	\$ 2,750,302	\$ 44,676,260
Federal and state aid not restricted to specific purpose	20,610,311	-	20,610,311
Earnings on investments	438,460	356,813	795,273
Interagency revenues	8,122	-	8,122
Miscellaneous	569,703	822,212	1,391,915
Program Revenues:			
Charges for services	262,414	1,754,446	2,016,860
Operating grants and contributions	9,463,063	5,195,646	14,658,709
Total revenues	73,278,031	10,879,419	84,157,450
EXPENDITURES			
Instructional Services:			
Instruction	40,205,678	2,536,707	42,742,385
Instruction-Related Services:			
Supervision of instruction	3,333,837	-	3,333,837
Instructional library, media and technology	2,671,623	-	2,671,623
School site administration	4,365,622	663,600	5,029,222
Pupil Support Services:			
Home-to-school transportation	772,487	-	772,487
Food services	-	2,380,883	2,380,883
All other pupil services	3,620,485	71,517	3,692,002
General Administration Services:			
Data processing services	250,476	-	250,476
Other general administration	3,814,949	308,886	4,123,835
Plant services	7,142,919	832,626	7,975,545
Facility acquisition and construction	2,209	1,427,600	1,429,809
Community services	19,842	-	19,842
Other outgo:			
Transfers between agencies	4,392,621	-	4,392,621
Debt service - principal	-	565,635	565,635
Debt service - interest	-	2,166,359	2,166,359
Miscellaneous	-	10,968	10,968
Total Expenditures	70,592,748	10,964,781	81,557,529
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,685,283	(85,362)	2,599,921
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	14,300	743,089	757,389
Interfund transfers out	(743,089)	(14,300)	(757,389)
Other financing sources	585,628	16,176	601,804
Total Other Financing Sources and Uses	(143,161)	744,965	601,804
Net Change in Fund Balances	2,542,122	659,603	3,201,725
Fund Balances, July 1, 2007	12,649,290	12,064,105	24,713,395
Fund Balances, June 30, 2008	\$ 15,191,412	\$ 12,723,708	\$ 27,915,120

The notes to the financial statements are an integral part of this statement.

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, 2008

Total net change in fund balances - governmental funds \$ 3,201,725

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,912,233) exceed depreciation expense (\$4,505,939) in the period. (1,593,706)

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 reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,289,554

Gain or loss from 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: (5,216)

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 that 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: 1,387,094

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 amounts earned. The difference between compensated absences paid and compensated absences earned was: 19,720

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements of long-term debt are reported as reductions of liabilities. Amounts recognized in governmental funds as proceeds from early retirement incentive debt were: (1,303,375)

Change in net assets of governmental activities \$ 2,995,796

The notes to the financial statements are an integral part of this statement.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2008

	Trust Fund Other Private- Purpose Trust	Agency Funds Student Body Funds	Total Fudiciary Funds
Assets			
Cash	\$ 416,188	\$ 805,782	\$ 1,221,970
Accounts Receivable - Interest	3,273	-	3,273
Total Assets	<u>\$ 419,461</u>	<u>\$ 805,782</u>	<u>\$ 1,225,243</u>
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Due to Student Groups	-	805,782	805,782
Total Liabilities	<u>-</u>	<u>\$ 805,782</u>	<u>805,782</u>
Net Assets			
Unreserved	<u>419,461</u>		<u>419,461</u>
Total Net Assets	<u>\$ 419,461</u>		<u>\$ 419,461</u>

The notes to the financial statements are an integral part of this statement.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
For the Year Ended June 30, 2008

	Trust Fund Other Private- Purpose Trust
Revenues	
Interest	\$ 17,133
Expenses	
Services and other operating expenses	3,522
Changes in Net Assets	13,611
Net assets held in trust - July 1, 2007	405,850
Net assets held in trust - June 30, 2008	<u>\$ 419,461</u>

The notes to the financial statements are an integral part of this statement.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

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. For financial reporting purposes, the component units discussed below are reported in the District's financial statements because of the significance of their relationship with the District. The component units, although a legally separate entity, are reported in the financial statements as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

South San Francisco Unified School District Financing Corporation

The corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State established November 1, 2005. The corporation was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing and financing public school facilities for the use and benefit of the District. The Financing Corporation is used to issue bonds and certificates of participation under the District's facilities financing program.

Financial Presentation:

For financial presentation purposes, each component unit's financial activity has been blended, or combined, with the financial data of the District. The financial statements present the financial activity of the Corporation within the Capital Projects Funds. Certificates of Participation and General Obligation Bonds issued by the corporation are included in the long-term liabilities. Fixed assets acquired or constructed by the component units are included in the Capital Projects Funds.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting Entity (continued)

The following are those aspects of the relationship between the District and the component units which satisfy the criteria of GASB Statement No. 14, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Manifestations of Oversight

- The component units and the District have common boards.
- The component units have no employees. The District's Superintendent functions as an agent of the component unit.
- The District exercises significant influence over operations of the component unit as all projects of the component unit involve the South San Francisco Unified School District.

Accountability of Fiscal Matters

- The District is responsible for preparation of the annual budgets for the component units.

Scope of Public Service

- The component units were created specifically to finance capital improvements for the South San Francisco Unified School District.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collected within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred 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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 equity, revenues, and expenditures. 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's accounts are organized into major, non-major, and fiduciary funds, as follows:

Major Governmental Funds:

The *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.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five non-major special revenue funds:

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
4. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
5. The Special Reserve Fund for Other Than Capital Outlay Projects is used to accumulate funds for board designated 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. The District maintains one debt service fund:

1. The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Capital Projects Funds are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains five non-major capital project funds:

1. The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of general fund money for capital outlay purposes.
2. The Building Fund exists primarily to account separately for proceeds from the sale of bonds.
3. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
4. The State School Building Lease-Purchase Fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings.
5. The County School Facilities Fund is established to receive state apportionments for new school facility construction, modernization projects, and facility hardship grants.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains sixteen agency funds, one for each school or program that operates a student body fund. The amounts reported for student body funds represent the combined totals of all schools and programs within the District.

Private Purpose Trust Funds are used to report all trust arrangement under which principal and income benefit individual private organizations or other governments. The District maintains one Foundation – Private Purpose Trust Fund for the purpose of granting scholarships to eligible high school graduating students.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores 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 average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB 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.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

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 useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-10 years
Vehicles	8 years

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities. 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.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations(continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure 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.

8. Net Assets

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

I. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively.

Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. 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 during the reporting period. Actual results could differ from those estimates.

K. New GASB Pronouncements

During the 2007-08 fiscal year, the following GASB Pronouncements became effective for the District.

GASB Statement No. 48-Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues was issued in September 2006. This statement establishes criteria that governments use to ascertain whether proceed received as lump sum payment in exchange for certain receivables should be reported as a revenue or liability. The District had no such transactions during the year.

GASB Statement No. 50-Pension Disclosures-and amendment of GASB Statements No. 25 and No.27 was issued in May 2007. This statement amends statements 25 and 27 to require defined benefit pension plans and sole and agent employers present certain information related to note disclosures.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

	Governmental Activities	Fiduciary Funds
Cash in county treasury	\$ 24,145,506	\$ 416,188
Cash on hand and in banks	33,998	805,782
Cash with fiscal agent	3,652,724	-
Cash in revolving fund	6,678	-
Collections awaiting deposit	836,011	-
Total deposits	<u>\$ 28,674,917</u>	<u>\$ 1,221,970</u>
Investments	<u>\$ 876,548</u>	

Policies and Practices

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

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of 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.

Cash with Fiscal Agent – The South San Francisco Unified School District School Facilities Financing Authority deposits its funds with US Bank. The cash is invested in First American Funds Treasury Obligations Fund.

Investments - The investments are held in First American Funds Treasury Obligations Fund.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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, First American Treasury Obligation Bonds, and other various money market accounts. The District maintains an investment with the San Mateo County Investment Pool with a fair value of approximately \$24,406,219 and an amortized book value of \$24,561,694. The average weighted maturity for this pool is not available.

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 investment with the San Mateo County Investment Pool is rated AAA by Moody's Investor Service. Subsequent to June 30, 2008, the county pool experienced an investment loss due to the bankruptcy of Lehman Brothers, in which approximately 5% of the Pool's funds were invested. The impact of the loss on the District is estimated at \$1,536,849 as further explained in Note 15.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 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, 2008, the District has a custodial risk for the \$881,856 cash on deposit of June 30, 2008.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008 consist of the following:

	<u>General Fund</u>	<u>All Non- Major Funds</u>	<u>Total Governmental Funds</u>
Federal Government:			
Categorical Programs	\$ 838,433	\$ 65,841	\$ 904,274
State Government:			
Revenue Limit	462,235	-	462,235
Categorical Aid Programs	588,524	-	588,524
Lottery	625,645	-	625,645
Class Size Reduction	40,417	-	40,417
Local Revenues:			
Interest	169,447	74,734	244,181
Miscellaneous	<u>2,118,801</u>	<u>607,754</u>	<u>2,726,554</u>
Totals	<u>\$ 4,843,502</u>	<u>\$ 748,329</u>	<u>\$ 5,591,831</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 4 - INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2008 are as follows:

	Due To Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 378,103	\$ 378,103
Other Governmental Funds	217,953	10,248	228,201
Total	<u>\$ 217,953</u>	<u>\$ 388,351</u>	<u>\$ 606,304</u>

General Fund due to Adult Education Fund for statutory benefits and services	\$ 858
General Fund due to Child Development Fund for payment of services	336
General Fund due to Cafeteria Fund for services	524
General Fund due to Special Reserve Fund for Other than Capital Outlay for Hillside	5,289
General Fund due to Special Reserve Fund for Capital Outlay Projects for RDA and Hillside	210,947
Adult Education Fund due to the General Fund for payments of goods and services	88,622
Child Development Fund due to the General Fund for payments of statutory benefits and services	166,587
Child Development Fund due to the Cafeteria Special Revenue Fund for payments of goods and services	10,248
Cafeteria Fund due to the General Fund for payments of statutory benefits and services	121,779
Special Reserve Fund for Capital Outlay Projects due to the General Fund for reimbursement of expenditures	1,115
Total	<u>\$ 606,304</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 4 - INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2007-08 fiscal year are as follows:

	<u>Transfers from Other Funds</u>		
	General	Non-Major	
	Fund	Governmental	Total
		Funds	
General Fund	\$ -	\$ 14,300	\$ 14,300
Other Governmental Funds	743,089	-	743,089
Total	<u>\$ 743,089</u>	<u>\$ 14,300</u>	<u>\$ 757,389</u>

The General Fund transferred to the Cafeteria Fund for expenditures	\$ 55,000
The General Fund transferred to the Deferred Maintenance Fund for expenditures	378,274
The General Fund transferred to the Special Reserve Fund for Other than Capital Outlay for expenditures	102,461
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for RDA pass through	207,354
The Child Development Fund transferred to the General Fund for operating expenditures	14,300
	<u>\$ 757,389</u>

NOTE 5 - FUND BALANCES

Of the \$15.1 million ending fund balance in the General Fund, the following amounts have been designated by the governing board for the following purposes:

Economic uncertainties	\$ 2,117,782
Other operating purposes	440,555
Total	<u>\$ 2,558,337</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 is shown below:

	Beginning Balance July 1, 2007	Additions	Deletions	Ending Balance June 30, 2008
Land	\$ 4,305,189	\$ -	\$ -	\$ 4,305,189
Site improvements	3,028,927	-	-	3,028,927
Buildings and improvements	118,837,422	1,104,037	-	119,941,459
Furniture and equipment	3,269,880	139,949	(7,053)	3,402,776
Work in progress	64,834	1,668,247	-	1,733,081
Total at historical cost	<u>\$ 129,506,252</u>	<u>\$ 2,912,233</u>	<u>\$ (7,053)</u>	<u>\$ 132,411,432</u>
Less accumulated depreciation:				
Site improvements	(900,239)	(140,486)	-	(1,040,725)
Buildings	(35,262,682)	(4,205,962)	-	(39,468,644)
Furniture and equipment	(2,779,388)	(159,491)	1,836	(2,937,043)
Total accumulated depreciation	<u>(38,942,309)</u>	<u>(4,505,939)</u>	<u>1,836</u>	<u>(43,446,412)</u>
Governmental activities capital assets, net	<u>\$ 90,563,943</u>	<u>\$ (1,593,706)</u>	<u>\$ (5,217)</u>	<u>\$ 88,965,020</u>

NOTE 7 - TAX REVENUE ANTICIPATION NOTES (TRANS)

Current Loans

The District issued \$2,240,000 in TRANS on July 6, 2007 through the California Cash Reserve Program, sponsored by the California School Boards Association Finance Corporation. The notes matured on July 6, 2008 and yielded 3.62% interest. The notes were sold by the District to supplement its cash flow.

Repayment requirements were that certain amounts be deposited in a special fund. The monies were required to remain on deposit until the maturity date of the note, at which time they were applied to pay the principal and interest on the notes. The principal and interest due as of June 30, 2008 amounted to \$2,333,878.

Subsequent Event

Subsequently on July 6, 2008, the District issued \$4,170,000 in TRANS through the California Cash Reserve Program, sponsored by the California School Boards Association Finance Corporation. The notes will mature on July 6, 2009 and yield 3.04% interest. The notes were sold by the District to supplement its cash flow.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
General obligation bonds	\$ 36,825,170	\$ -	\$ 390,000	\$ 36,435,170	\$ 657,777
Certificates of participation	2,048,034	-	142,150	1,905,884	149,973
Compensated absences	637,371	-	19,719	617,652	-
Early retirement incentives	1,402,578	1,303,375	723,919	1,982,034	588,545
EPA loan	117,347	-	33,532	83,815	33,532
Totals	<u>\$ 41,030,500</u>	<u>\$ 1,303,375</u>	<u>\$ 1,309,320</u>	<u>\$ 41,024,555</u>	<u>\$ 1,429,827</u>

A. General Obligation Bonds

On January 1, 2006, the South San Francisco Unified School District's School Financing Authority purchased the District's 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 \$36,435,170, as of the date of the refunding. The bonds mature on September 1, 2023, carry an interest rate of 3.07% to 4.20%. The principal balance outstanding as of June 30, 2008 was \$36,435,170.

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2008, are as follows:

Fiscal Year	Principal	Interest	Total
2008-2009	\$ 657,777	\$ 2,058,058	\$ 2,715,835
2009-2010	802,350	2,016,444	2,818,794
2010-2011	959,361	1,966,237	2,925,598
2011-2012	1,129,683	1,906,699	3,036,382
2012-2017	8,737,695	8,255,777	16,993,472
2017-2022	15,603,742	4,845,978	20,449,720
2022-2024	8,544,562	491,416	9,035,978
Total	<u>\$ 36,435,170</u>	<u>\$ 21,540,609</u>	<u>\$ 57,975,779</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation

The District has two outstanding certificates of participation as of June 30, 2008:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>July 1, 2007 Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2008 Ending Balance</u>
2/1/2004	12/1/2018	4.88%	\$ 1,037,000	\$ 858,034	\$ -	\$ 57,150	\$ 800,884
2/5/1997	7/1/2023	4.50%	1,815,000	1,190,000	-	85,000	1,105,000
			<u>\$ 2,852,000</u>	<u>\$ 2,048,034</u>	<u>\$ -</u>	<u>\$ 142,150</u>	<u>\$ 1,905,884</u>

The annual requirements to amortize all certificates of participation, outstanding as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-2009	\$ 149,973	\$ 55,582	\$ 205,555
2009-2010	157,936	51,004	208,940
2010-2011	166,044	46,196	212,240
2011-2012	174,307	41,148	215,455
2012-2017	982,088	122,320	1,104,408
2017-2021	275,536	6,914	282,450
Totals	<u>\$ 1,905,884</u>	<u>\$ 323,164</u>	<u>\$ 2,229,048</u>

C. Early Retirement Incentives

The District has in place an early retirement incentive program through PARS Trust and Cal PERS, whereby the District provides supplemental retirement benefits to employees who meet age, years of service and retirement eligibility requirements. This program is not the same as the early retirement program pursuant to Education Code Sections 22714 and 44929. Future annual contributions are as follows and are included in long-term debt:

<u>Fiscal Year</u>	<u>Amount Due</u>
2009	\$ 588,545
2010	680,218
2011	237,757
2012	237,757
2013	237,757
Total	<u>\$ 1,982,034</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

D. EPA Loan

The District has a non-interest bearing loan with the Environmental Protection Agency. The future annual payments are as follows and are included in long-term debt:

<u>Fiscal Year</u>	<u>Amount Due</u>
2009	\$ 33,532
2010	33,533
2011	16,750
Total	<u>\$ 83,815</u>

NOTE 9 – JOINT VENTURES

Risk Management

The South San Francisco Unified School District participates in a joint venture under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The relationship between the South San Francisco Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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.

Condensed audited financial information for the year ended June 30, 2007 is as follows:

	<u>SMCSIG</u>
Total Assets	\$ 11,306,104
Total Liabilities	<u>6,658,288</u>
Fund Equity	<u>\$ 4,647,816</u>
Total Revenue	\$ 32,774,593
Total Expenditures	<u>30,458,825</u>
Net Increase in Fund Balance	<u>\$ 2,315,768</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

NOTE 9 – JOINT VENTURES (continued)

South San Francisco Unified School District Financing Corporation

The District formed a Joint Powers Authority for the sole purpose of providing financial assistance to the District by acquiring, constructing and financing public school facilities for the use and benefit of the District. The Financing Corporation is used to issue bonds under the District's general obligation bond program. The corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State established November 1, 2005. The financial activity of the JPA is blended in the financial statements of the District as a component unit.

NOTE 10 - 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, it is believed that any required reimbursement will not be material.

Construction Commitments

As of June 30, 2008, the District had commitments with respect to unfinished capital projects of approximately \$935,301 thousand to be paid.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 9, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 12 - EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension 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).

Plan Description and Provisions

Public Employees' Retirement System (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 Law. 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, California 95814.

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 the CalPERS Board of Administration. The required employer contribution for fiscal year 2007-08 was 9.306%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,097,661, \$1,032,567, and \$1,508,306, respectively, which represents 100% of the required contributions for each fiscal year.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the 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, disability 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 Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$2,878,456, \$2,694,542, and \$2,508,749, respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of \$2,251,312 to STRS (4.517% of salaries subject to STRS in the 2007-08 fiscal year and 2.237% of salaries subject to STRS in the 2003-04 fiscal year).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

NOTE 13 – POSTEMPLOYMENT BENEFITS

The District also provides other postemployment care benefits besides PARS, 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 84 certificated employees and 16 classified employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year ended June 30, 2008, expenditures of \$68,080 were recognized for retiree health care benefits.

The approximate accumulated future liability for the District at June 30, 2008, amounts to \$442,479. 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, 2008, multiplied by the number of years of payment remaining until the employee reaches age 65.

NOTE 14 – GASB STATEMENT NO. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the South San Francisco Unified School District beginning in the 2008-09 fiscal year. An actuarial study dated July 25, 2007 projects the actuarial present value of the "actuarial accrued liability" to be \$12 million as of December 31, 2006, and the annual required contribution to be \$882,000.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to June 30, 2008 the District was notified by the San Mateo County Office of Education of an investment loss of approximately 5% due to San Mateo County Treasury Pool's investment in Lehman Brothers which went bankrupt on October 6, 2008. Based upon the County Treasurer's Office report, the District's loss is estimated to be \$1,536,849. This loss will be reflected in the first quarter as "loss on investments" in the fiscal year 2008-09.

Required Supplementary Information

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Revenue Limit Sources	\$ 56,252,318	\$ 57,088,069	\$ 56,795,912	\$ (292,157)
Federal	3,596,081	4,222,882	4,120,177	(102,705)
Other State	9,937,776	10,262,392	10,474,950	212,558
Other Local	1,846,139	1,942,426	1,886,992	(55,434)
Total Revenues	71,632,314	73,515,769	73,278,031	(237,738)
Expenditures				
Certificated Salaries	33,403,339	33,596,517	33,352,152	244,365
Classified Salaries	10,002,062	10,003,659	9,905,362	98,297
Employee Benefits	12,725,636	12,702,244	12,284,641	417,603
Books and Supplies	3,316,188	8,662,633	2,782,065	5,880,568
Services and Other Operating Expenditures	6,546,849	7,154,525	6,719,894	434,631
Capital Outlay	609,815	1,496,759	1,464,895	31,864
Direct Support/Indirect Costs	(302,183)	(315,625)	(308,885)	6,740
Other Outgo	5,567,414	5,040,342	4,392,624	647,718
Total Expenditures	71,869,120	78,341,054	70,592,748	7,761,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	(236,806)	(4,825,285)	2,685,283	7,524,048
Other Financing Sources and Uses				
Interfund Transfers In	14,300	-	14,300	14,300
Interfund Transfers Out	(763,911)	(696,821)	(743,089)	(46,268)
Other Sources/Uses	483,721	-	585,628	585,628
Total Other Financing Sources and Uses	(265,890)	(696,821)	(143,161)	553,660
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(502,696)	(5,522,106)	2,542,122	8,077,708
Fund Balances, July 1, 2007	12,649,290	12,649,290	12,649,290	-
Fund Balances, June 30, 2008	\$ 12,146,594	\$ 7,127,184	\$ 15,191,412	\$ 8,077,708

Supplementary Information Section

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Local Education Agency Organization Structure
June 30, 2008

The South San Francisco Unified School District originated from the unification in 1936 of an elementary district (founded in 1866) and a high school district (founded in 1913). 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. The District boundaries encompass the city of South San Francisco, a portion of Daly City, a small area of San Bruno, and some small "islands" of unincorporated areas of San Mateo County. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD		
Member	Office	Term Expires
Shirlee Hoch	President	November 2010
Emanuele Damonte	Vice President/Clerk	November 2008
Philip Weise	Member	November 2010
Liza Normandy	Member	November 2010
Raymond Latham	Member	November 2008

DISTRICT ADMINISTRATORS	
Name	Title
Barbara Olds	<i>Superintendent</i>
John Thompson, Ed. D	<i>Assistant Superintendent, Personnel</i>
Cheryl Milner, Ed. D.	<i>Associate Superintendent, Educational Services</i>
Ron Little, MBA	<i>Associate Superintendent, Business Services</i>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2008

	Second Period Report	Annual Report
Elementary:		
Kindergarten	621	622
Grades One through Three	1,935	1,935
Grades Four through Six	1,863	1,863
Grades Seven and Eight	1,307	1,304
Home and Hospital	2	2
Special Education	226	230
Total Elementary	5,953	5,956
Secondary:		
Grades 9 through 12, regular classes	2,802	2,778
Continuation Education	64	62
Home and Hospital	5	6
Community Day Schools	18	21
Special Education	147	146
Total Secondary	3,036	3,012
Classes for Adults:		
Concurrently Enrolled	7	10
Not Concurrently Enrolled	554	588
Total Adult Classes	562	598
Total Average Daily Attendance	9,551	9,566
<u>Supplemental Instruction Hours</u>	<u>Hours of Attendance</u>	
Elementary	65,123	
Secondary	75,720	
Total	140,843	

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

June 30, 2008

Grade Level	1982-83	1986-87	2007-08	Number of Days	
	Actual Minutes	Minutes Requirement		Traditional Calendar	Status
Kindergarten	35,920	36,000	44,640	180	Complied
Grade 1	48,312	50,400	52,260	180	Complied
Grade 2	48,312	50,400	52,260	180	Complied
Grade 3	48,312	50,400	52,260	180	Complied
Grade 4	48,312	54,000	54,000	180	Complied
Grade 5	48,312	54,000	54,000	180	Complied
Grade 6	49,860	54,000	61,548	180	Complied
Grade 7	49,860	54,000	61,548	180	Complied
Grade 8	49,860	54,000	61,548	180	Complied
Grade 9	63,440	64,800	65,358	180	Complied
Grade 10	63,440	64,800	65,358	180	Complied
Grade 11	63,440	64,800	65,358	180	Complied
Grade 12	63,440	64,800	65,358	180	Complied

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Year Ended June 30, 2008

General Fund	(Budget) 2009***	2008	2007	2006
Revenues and other financing sources	\$ 71,101,642	\$ 73,278,031	\$ 72,617,922	\$ 66,789,329
Expenditures	72,005,913	70,592,748	66,595,544	62,602,156
Other uses and transfers out	171,935	143,161	2,528,983	929,118
Total outgo	72,177,848	70,735,909	69,124,527	63,531,274
Change in fund balance (deficit)	(1,076,206)	2,542,122	3,493,395	3,258,055
Ending fund balance	\$ 14,115,206	\$ 15,191,412	\$ 12,649,290	\$ 9,155,895
Available reserves*	\$ 7,725,962	\$ 7,219,266	\$ 6,002,606	\$ 4,942,537
Available reserves as a percentage of total outgo	10.7%	10.2%	8.7%	7.8%
Total long-term debt	\$ 39,594,728	\$ 41,024,555	\$ 41,030,500	\$ 45,504,018
Average daily attendance at P-2**	9,074	8,989	8,947	8,951

The General Fund balance has increased by \$6,035,517 over the past two years. The fiscal year 2008-09 adopted budget projects a decrease of \$1,076,206. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). Long-term debt has decreased \$4,479,463 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund or Special Reserve Fund (Other than Capital Outlay).

** Excludes Adult Education ADA, includes special needs students served by San Mateo County Office of Education.

*** Adopted June 2008

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2007-08 Actual Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
National School Lunch	10.555	13391	\$ 1,135,415
National School Breakfast	10.553	13390	117,993
Fair Market Value of Commodity	10.558	13389	127,043
Child and Adult Care Food	10.558	13393	23,578
Total U.S. Department of Agriculture			<u>1,404,029</u>
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	714,853
Title I, Part C, Migrant Education	84.011	13174	104,980
Title II, Part A, Teacher Quality	84.367	14341	430,824
Title II, Part D, Enhancing Education Technology	84.318	14334	249,438
Title III, Limited English Proficiency	84.365	10084	111,618
Title IV, Part A, Drug-Free Schools	84.186	14347	37,960
Title V, Part A, Innovative Education Strategies	84.298A	14354	14,650
Individuals with Disabilities Act:			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	1,589,459
IDEA, Preschool Grants, Part B	84.173	13430	42,129
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	70,862
IDEA, Preschool Staff Development, Part B	84.173A	13431	458
IDEA, Workability II, Transition Partnership	84.158	10006	40,252
Carl Perkins Act:			
Vocational & Applied Technology Secondary	84.048	13924	45,115
Vocational Postsecondary and Adult II	84.048	13923	23,577
Adult Education and Family Literacy Act:			
Adult Basic Education	84.002A	14508	90,562
English Literacy and Civics Education	84.002A	14109	27,699
Adult Secondary Education	84.002	13978	19,940
Total U.S. Department of Education			<u>3,614,376</u>
U.S. Department of Health and Human Services:			
Passed through California Dept. of Education (CDE):			
Emergency Response & Crisis Management	93.Unknown	Unknown	10,499
Medi-Cal Billing Option	93.778	10013	634,330
Child Development: Quality Improvement Activities	93.575	24486	21,460
			<u>\$ 5,684,694</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, 2008

There were no adjustments between the Annual Financial and Budget Report and the Audited Financial Statements in 2007-08.

See accompanying note to supplementary information.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Excess Sick Leave
June 30, 2008

We have reviewed the employment contracts of the Superintendent and Associate Superintendent of Educational Services, and neither authorized nor accrued excess sick leave was identified.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2008

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

Schedule of Financial Trends and Analysis

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

Schedule of 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.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

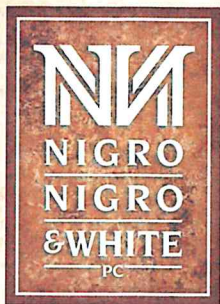
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Excess Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

Other Independent Auditors' Reports



A Professional
Accountancy Corporation

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE
PH: 951.698.8783
FAX: 951.699.1064
25090 Jefferson Avenue
Murrieta, CA 92562

SAN DIEGO OFFICE
PH: 619.270.8222
FAX: 619.260.9085
2727 Camino Del Rio S.
Suite 219
San Diego, CA 92108

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- American Institute of CPAs
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WEBSITE
www.nnwcpa.com

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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**

We have audited the financial statements of South San Francisco Unified School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

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

Compliance and Other Matters

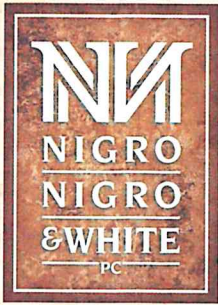
As part of obtaining reasonable assurance about whether South San Francisco Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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*.

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

Nigro Nigro & White, PC

San Diego, California

November 20, 2008



A Professional
Accountancy Corporation

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE

PH: 951.698.8783

FAX: 951.699.1064

25090 Jefferson Avenue
Murrieta, CA 92562

SAN DIEGO OFFICE

PH: 619.270.8222

FAX: 619.260.9085

2727 Camino Del Rio S.
Suite 219
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Institute

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

Compliance

We have audited the compliance of 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, 2008. 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; 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the South San Francisco Unified School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

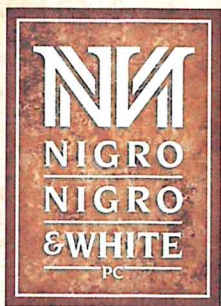
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Nigro Nigro & White, PC

San Diego, California
November 20, 2008



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Accountancy Corporation

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Elizabeth Nigro, CPA

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AUDITORS' REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the South San Francisco Unified School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 20, 2008. Our audit was made 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 2007-08*, published by the Education Audit Appeals Panel. 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.

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

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	Not applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Not applicable
Morgan-Hart Class Size Reduction Program	7	Yes

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	3	Yes
Notice of Right to Elect CalSTRS Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not applicable
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Not applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

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 examination, for items not tested, nothing came to our attention to indicate that the South San Francisco Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Nigro Nigro & White, PC

San Diego, California
November 20, 2008

Findings and Questioned Costs Section

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's 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)	<u>No</u>
Identificaion of major programs:	
CFDA Numbers	Name of Federal Program or Cluster
84.027	IDEA, Basic Local Assistance Entitlement, Part B

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

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for state programs	<u>Unqualified</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no audit findings related to the financial statements in 2007-08.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2008

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal awards findings or questioned costs in 2007-08.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2008

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state awards findings or questioned costs in 2007-08.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Schedule of Prior Audit Findings
June 30, 2008

There were no prior audit findings reported in 2006-07.

