

**SOUTH SAN FRANCISCO
UNIFIED SCHOOL DISTRICT**

AUDIT REPORT

JUNE 30, 2011

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

SOUTH SAN FRANCISCO, CALIFORNIA

JUNE 30, 2011

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

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Maurice Goodman	President	November 2012
Judith Bush	Vice President	November 2012
Philip Weise	Clerk	November 2014
Shirlee Hoch	Member	November 2014
Liza Normandy	Member	November 2012

DISTRICT ADMINISTRATORS

Howard Cohen, Ed.D.
Superintendent

John Thompson, Ed.D.
Assistant Superintendent, Personnel

Cheryl Milner, Ed.D.
Associate Superintendent, Educational Services

Jonathan Barth*
Associate Superintendent, Business Services

Adolfo Melara
*Associate Superintendent,
ELL Programs & Student Learning Support*

* Jonathan Barth resigned in October of 2011.

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2011, 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.

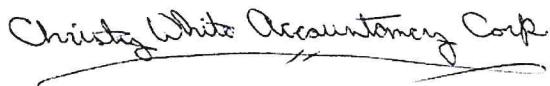
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South San Francisco Unified School District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 on our consideration of the South San Francisco Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 3 through 11, the budgetary comparison information on page 50, and the schedule of funding progress on page 51 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, which consisted 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the South San Francisco Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements – Non-Major Governmental Funds 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 basic financial statements taken as a whole.

Christy White Accountancy Corp

Rancho Cucamonga, California
December 5, 2011



SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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(650) 877-8700 / Fax (650) 583-4717

www.ssfusd.org

SUPERINTENDENT

Alejandro Hogan

BOARD OF TRUSTEES

Judith M. Bush
Maurice D. Goodman
Shirlee J. Hoch
Liza Normandy
Philip J. Weise

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

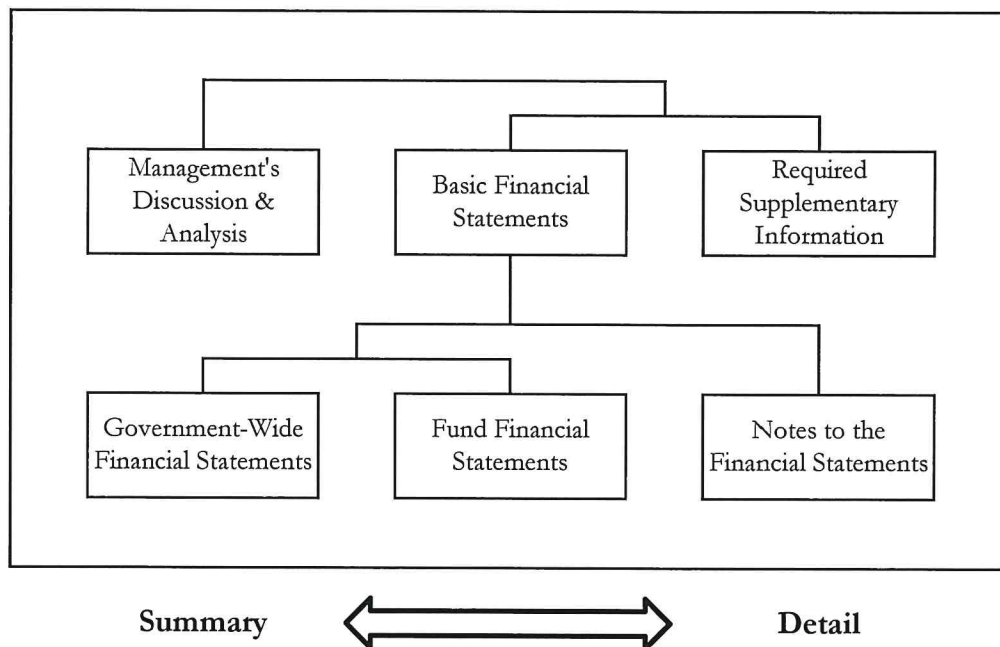
Our discussion and analysis of South San Francisco Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$66,147,080 at June 30, 2011. This was a decrease of \$3,534,665 over the prior year.
- Overall revenues were \$79,383,139, which were exceeded by expenses of \$82,917,804.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

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

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

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

Government-Wide Statements

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

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The District experienced a decline in net assets, though not as severe as the prior year. To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities. Though there has been a decrease, there is sufficient fund balance in the general fund, which is the main operating fund for the District.

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$66.1 million at June 30, 2011, as reflected in the table below. Of this amount, \$11.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations.

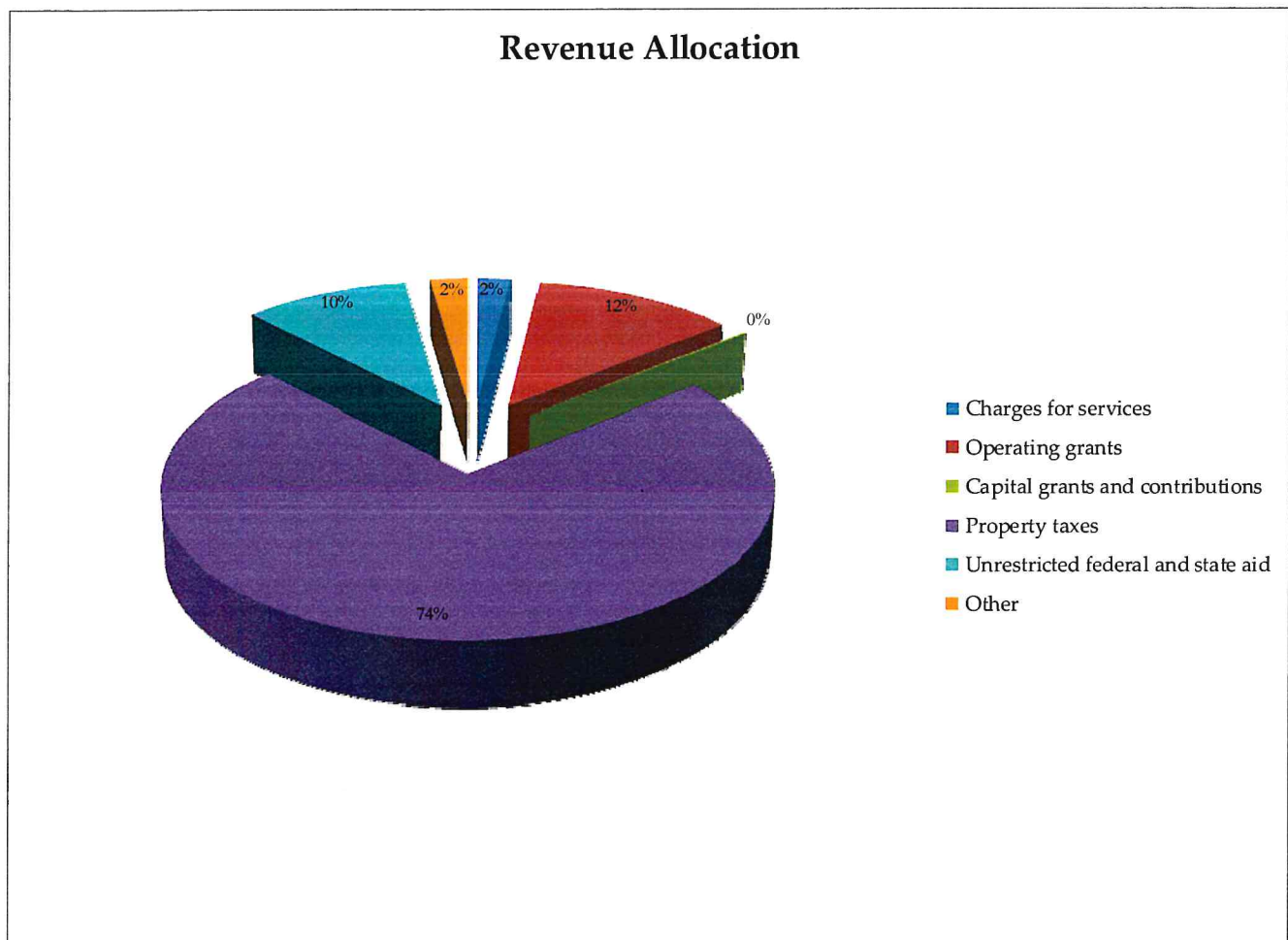
(amounts in thousands)	Governmental Activities		
	2011	2010	Net Change
ASSETS			
Current assets	\$ 64,991	\$ 29,396	\$ 35,595
Non-current assets, net	85,151	84,984	167
Total Assets	\$ 150,142	\$ 114,380	\$ 35,762
LIABILITIES			
Current liabilities	\$ 45,207	\$ 6,462	\$ 38,745
Non-current liabilities	38,788	38,529	259
Total Liabilities	83,995	44,991	39,004
NET ASSETS			
Invested in capital assets, net of related debt	48,278	46,910	1,368
Restricted	6,085	7,282	(1,197)
Unrestricted	11,784	15,197	(3,413)
Total Net Assets	66,147	69,389	(3,242)
Total Liabilities and Net Assets	\$ 150,142	\$ 114,380	\$ 35,762

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

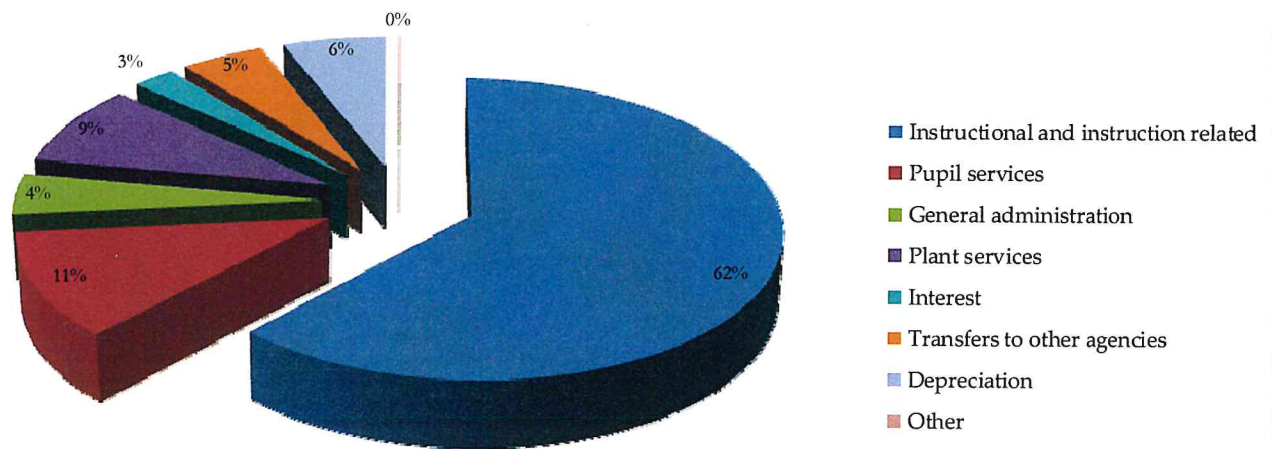
As shown in below, the District's total revenues were \$79.4 million. The majority of the revenue comes from property taxes (74%). Other federal and state aid for specific programs accounted for another 12% of total revenues. Miscellaneous local sources accounted for the remaining 14%. Revenues increased decreased primarily due to state budget cuts and property taxes going down.



**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

The total cost of all programs and services was \$82.9 million. The District's expenses are predominately related to educating and caring for students (62%). Pupil Services (including transportation and food) account for 11% of expenses. Administrative activities accounted for just 4% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 9% of all costs. The remaining expenses were for ancillary services, community services, and other outgo (14%). Expenditures decreased primarily due to budget cuts.

Expense Allocation



SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The summary of changes to net assets is summarized as follows:

<i>(amounts in thousands)</i>	Governmental Activities		
	2011	2010	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,600	\$ 1,759	\$ (159)
Operating grants	9,701	11,398	(1,697)
Capital grants and contributions	98	-	98
General revenues			
Property taxes	58,237	59,222	(985)
Unrestricted federal and state aid	7,914	6,453	1,461
Other	1,833	1,305	528
Total Revenues	79,383	80,137	(754)
EXPENSES			
Instructional and instruction related	51,333	53,364	(2,031)
Pupil services	9,420	9,318	102
General administration	3,667	4,493	(826)
Plant services	7,359	7,920	(561)
Interest	2,084	2,480	(396)
Transfers to other agencies	4,024	5,743	(1,719)
Depreciation	4,996	4,611	385
Other	35	42	(7)
Total Expenses	82,918	87,971	(5,053)
Excess (deficiency)	(3,535)	(7,834)	4,299
Net Assets - Beginning (Restated)	69,682	77,223	(7,541)
Net Assets - Ending	\$ 66,147	\$ 69,389	\$ (3,242)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

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 \$20.5 million, which is less than last year's ending fund balance of \$25.3 million. The District's General Fund had \$1.2 million less in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010-11 the District had invested \$5.2 million in new capital assets due to construction in progress.

	<i>(amounts in thousands)</i>		
	Governmental Activities		
	2011	2010	Net Change
CAPITAL ASSETS			
Land and construction in progress	\$ 8,994	\$ 4,358	\$ 4,636
Buildings and equipment	133,623	133,096	527
Accumulated depreciation	(57,466)	(52,470)	(4,996)
Total Capital Assets	\$ 85,151	\$ 84,984	\$ 167

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION, (continued)

Long-Term Debt

At year-end, the District had \$38.8 million in long-term debt, a decrease of \$1.4 from last year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<i>(amounts in thousands)</i>			Governmental Activities	
			Restated		
	2011		2010		Net Change
LONG-TERM LIABILITIES					
General Obligation bonds	\$ 35,400	\$	36,550	\$	(1,150)
Net OPEB	779		521		258
Compensated absences	637		693		(56)
Certificates of participation	1,456		1,643		(187)
Other long-term liabilities	516		809		(293)
Less current portion	(1,772)		(1,687)		(85)
Total Long-term Liabilities	\$ 37,016	\$	38,529	\$	(1,513)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2012-13 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2011-12 fiscal year.

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.

District Address

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 58,828,172
Accounts receivable	5,614,763
Inventory	146,513
Prepaid expenses	401,373
Capital assets, non-depreciable	8,994,653
Capital assets, depreciable, net	76,156,637
Total Assets	150,142,111
LIABILITIES	
Accrued liabilities	1,669,466
Current loans	41,778,488
Deferred revenue	1,758,676
Long-term liabilities, current portion	1,771,748
Long-term liabilities, non-current portion	37,016,653
Total Liabilities	83,995,031
NET ASSETS	
Invested in capital assets, net of related debt	48,278,286
Restricted for	
Capital projects	226,831
Debt service	3,028,138
Educational programs	2,829,894
Unrestricted	11,783,931
Total Net Assets	\$ 66,147,080

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 43,718,825	\$ 261,220	\$ 4,911,766	\$ 97,961	\$ (38,447,878)
Instruction-related services					
Instructional supervision and administration	863,547	6,624	124,462	-	(732,461)
Instructional library, media, and technology	1,149,102	-	1,855	-	(1,147,247)
School site administration	5,601,531	28,832	575,270	-	(4,997,429)
Pupil services					
Home-to-school transportation	926,704	-	298,622	-	(628,082)
Food services	2,042,314	740,180	1,556,466	-	254,332
All other pupil services	6,450,953	50,929	885,070	-	(5,514,954)
General administration					
Centralized data processing	121,584	-	-	-	(121,584)
All other general administration	3,545,056	42,664	277,184	-	(3,225,208)
Plant services	7,359,181	11,993	49,668	-	(7,297,520)
Community services	34,318	-	-	-	(34,318)
Interest on long-term debt	2,084,016	-	-	-	(2,084,016)
Transfer to other agencies	4,024,419	457,219	1,020,992	-	(2,546,208)
Depreciation (unallocated)	4,996,254	-	-	-	(4,996,254)
Total Governmental Activities	\$ 82,917,804	\$ 1,599,661	\$ 9,701,355	\$ 97,961	(71,518,827)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					54,566,242
Property taxes, levied for debt service					3,047,819
Property taxes, levied for other specific purposes					622,967
Federal and state aid not restricted for specific purposes					7,914,305
Interest and investment earnings					225,614
Miscellaneous					1,607,215
Subtotal, General Revenue					67,984,162
CHANGE IN NET ASSETS					(3,534,665)
Net Assets - Beginning (Restated)					69,681,745
Net Assets - Ending					\$ 66,147,080

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

			Non-Major		Total	
			Governmental		Governmental	
	General Fund	Building Fund	Funds		Funds	
ASSETS						
Cash and cash equivalents	\$ 17,106,401	\$ 33,170,865	\$ 8,550,906	\$ 58,828,172		
Accounts receivable	5,158,520	31,291	424,952	5,614,763		
Due from other funds	5,105,677	98,241	800,557	6,004,475		
Stores inventory	90,607	-	55,906	146,513		
Prepaid expenditures	294,092	-	107,281	401,373		
Total Assets	\$ 27,755,297	\$ 33,300,397	\$ 9,939,602	\$ 70,995,296		
LIABILITIES						
Accrued liabilities	\$ 1,201,770	\$ -	\$ 85,310	\$ 1,287,080		
Due to other funds	657,659	4,710,818	635,998	6,004,475		
Current loans	8,407,000	33,000,000	-	41,407,000		
Deferred revenue	1,751,176	-	7,500	1,758,676		
Total Liabilities	12,017,605	37,710,818	728,808	50,457,231		
FUND BALANCES						
Non-spendable	411,699	-	163,187	574,886		
Spendable						
Restricted						
Educational programs	1,450,958		1,378,936	2,829,894		
Capital projects		-	226,831	226,831		
Debt service			3,028,138	3,028,138		
Committed	-	-	2,049,240	2,049,240		
Assigned	7,489,989	-	2,364,462	9,854,451		
Unassigned	6,385,046	(4,410,421)	-	1,974,625		
Total Fund Balances	15,737,692	(4,410,421)	9,210,794	20,538,065		
Total Liabilities and Fund						
Balances	\$ 27,755,297	\$ 33,300,397	\$ 9,939,602	\$ 70,995,296		

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2011

Total Fund Balance - Governmental Funds \$ 20,538,065

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

Capital assets:

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

Capital assets	\$ 142,617,562	
Accumulated depreciation	(57,466,272)	85,151,290

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: (382,386)

Long-term liabilities:

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

General obligation bonds payable	\$ 35,400,000	
Net OPEB obligation	779,487	
Compensated absences	637,477	
Certificates of participation payable	845,000	
Capital leases payable	16,766	
Lease revenue bonds payable	611,238	
PARS	498,433	
Premium on Bond Anticipation Notes (BAN)s	371,488	(39,159,889)
Total Net Assets - Governmental Activities		\$ 66,147,080

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources				
State aid	\$ (281,059)	\$ -	\$ -	\$ (281,059)
Local sources	49,448,558	-	-	49,448,558
Transfers	5,093,509	-	-	5,093,509
Federal sources	4,763,912	-	1,818,398	6,582,310
Other state sources	9,293,654	-	863,338	10,156,992
Other local sources	2,392,811	31,427	5,958,591	8,382,829
Total Revenues	70,711,385	31,427	8,640,327	79,383,139
EXPENDITURES				
Current				
Instruction	41,618,288	-	2,132,723	43,751,011
Instruction-related services				
Instructional supervision and administration	864,513	-	-	864,513
Instructional library, media, and technology	1,161,665	-	-	1,161,665
School site administration	4,894,549	-	713,189	5,607,738
Pupil services				
Home-to-school transportation	927,755	-	-	927,755
Food services	-	-	2,115,594	2,115,594
All other pupil services	6,419,007	-	39,083	6,458,090
General administration				
Centralized data processing	121,722	-	-	121,722
All other general administration	3,380,243	-	170,873	3,551,116
Plant services	6,884,607	-	514,778	7,399,385
Facilities acquisition and maintenance	-	4,674,414	367,100	5,041,514
Community services	34,357	-	-	34,357
Transfers to other agencies	4,024,419	-	-	4,024,419
Debt service				
Principal	-	-	1,370,267	1,370,267
Interest and other	-	271,170	1,826,953	2,098,123
Total Expenditures	70,331,125	4,945,584	9,250,560	84,527,269
Excess (Deficiency) of Revenues				
Over Expenditures	380,260	(4,914,157)	(610,233)	(5,144,130)
Other Financing Sources (Uses)				
Transfers in	64,925	98,241	4,628,646	4,791,812
Other sources	-	371,488	-	371,488
Transfers out	(1,670,217)	(38,325)	(3,083,270)	(4,791,812)
Net Financing Sources (Uses)	(1,605,292)	431,404	1,545,376	371,488
NET CHANGE IN FUND BALANCE	(1,225,032)	(4,482,753)	935,143	(4,772,642)
Fund Balance - Beginning	16,962,724	72,332	8,275,651	25,310,707
Fund Balance - Ending	\$ 15,737,692	\$ (4,410,421)	\$ 9,210,794	\$ 20,538,065

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Governmental Funds \$ (4,772,642)

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay: \$	5,163,632	
Depreciation expense:	(4,996,254)	167,378

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,370,267

Debt proceeds:

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

(371,488)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

14,107

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

55,659

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(258,621)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. The retirement incentives the district offered is financed over time. This year, expenses for the PARS incurred for such obligations were:

260,675

Change in net assets of Governmental Activities	\$ (3,534,665)
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The accompanying notes are an integral part of these financial statements.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Private-Purpose Trust Fund	ASB Agency Funds
ASSETS		
Cash and cash equivalents	\$ 454,792	\$ 837,101
Accounts receivable	1,413	-
Total Assets	\$ 456,205	\$ 837,101
LIABILITIES		
Due to other agencies/student groups		
Alta Loma Middle School		\$ 78,035
Baden High School		1,340
Buri Buri Elementary		55,894
El Camino High School		235,581
Junipero Serra Elementary		62,618
Los Cerritos Elementary		8,341
Martin Elementary		11,445
Monte Verde Elementary		52,763
Parkway Heights Middle School		12,693
Ponderosa Elementary		28,285
Skyline Elementary		16,865
South San Francisco High School		147,158
South San Francisco Adult Education		8,090
Spruce Elementary		27,723
Sunshine Gardens Elementary		16,656
Westborough Middle School		73,614
Total Liabilities	-	\$ 837,101
NET ASSETS		
Unrestricted	\$ 456,205	

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Private-Purpose Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 5,297
DELETIONS	
Other trust activities	7,500
NET CHANGE IN FUND BALANCE	(2,203)
Net Assets - Beginning	458,408
Net Assets - Ending	\$ 456,205

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method 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 direct benefit of the District.

The 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. The Corporation was formed to provide financing assistance to the District for the construction and acquisition of major capital facilities. The financial activity for the Corporation is presented in the financial statements as the part of the Capital Facilities Fund and Special Reserve Fund for Capital Outlay Projects.

The South San Francisco Unified School District School Facilities Financing Authority (the "Authority") is a nonprofit, public benefit corporation, incorporated under the laws of the State of California. The Authority was formed to provide financing assistance to the District for the refunding of their General Obligation Bonds. The financial activity for the Authority is presented in the financial statements as the part of the Debt Service Fund for Blended Component Units.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with one JPA. This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 15 to the financial statements. The organization is the San Mateo County Schools Insurance Group (SMCSIG).

D. Basis of Presentation

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

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

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

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

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

Major Governmental Funds

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

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code* Section 41003).

Non-Major Governmental Funds

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

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

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

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (*Education Code* Sections 38091 and 38100).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

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

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

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620–17626). The authority for these levies may be county/city ordinances (*Government Code* Sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (*Government Code* Section 66006).

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

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

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

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (*Education Code* Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Debt Service Fund for Blended Component Units. This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (*Government Code* Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

Fiduciary Funds

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

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

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

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

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

All governmental activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K-12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

Deferred Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "

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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

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

Deferred Issuance Costs, Premiums, and Discounts

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

Fund Balance

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

Nonspendable - The nonspendable fund balance classification consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Restricted - The restricted fund balance classification consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed - The committed fund balance classification consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned - The assigned fund balance classification consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned - In the general fund only, the unassigned fund balance classification consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the district considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The district-wide financial statements report \$6,084,863 of restricted net assets.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Interfund Activity

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

H. Estimates

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

I. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Cash on hand	\$ 498,701	\$ -	\$ 498,701
Deposits in financial institutions	9,491,376	\$ 837,101	10,328,477
Cash in County	48,823,043	454,792	49,277,835
Investments	15,052	-	15,052
Total	\$ 58,828,172	\$ 1,291,893	\$ 60,120,065

B. Policies and Practices

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment 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.

C. General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Maturity</u>
Local Agency Investment Fund (LAIF)	\$ 983	< 4 years
Equities	\$ 14,069	N/A
Cash in County	\$ 49,277,835	1.5 years

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool, LAIF, and equities are not required to be rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (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, 2011, the District's bank balance of \$787,631 was insured, but \$98,464 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Private-Purpose Trust Fund
Federal Government					
Categorical aid	\$ 1,253,207	\$ -	\$ 278,594	\$ 1,531,801	\$ -
State Government					
Categorical aid	2,290,353	-	35,862	2,326,215	-
Lottery	665,218	-	-	665,218	-
Local Government					
Interest	81,240	31,291	20,049	132,580	1,413
Other Local Sources	868,502		90,447	958,949	-
Total	\$ 5,158,520	\$ 31,291	\$ 424,952	\$ 5,614,763	\$ 1,413

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 01, 2010	Additions	Balance June 30, 2011
Governmental Activities			
Capital assets not being depreciated			
Land	\$ 4,305,189	\$ -	\$ 4,305,189
Construction in progress	52,642	4,636,822	4,689,464
Total Capital Assets not Being Depreciated	4,357,831	4,636,822	8,994,653
Capital assets being depreciated			
Land improvements	3,264,180	238,333	3,502,513
Buildings & improvements	124,043,278	175,575	124,218,853
Furniture & equipment	5,788,641	112,902	5,901,543
Total Capital Assets Being Depreciated	133,096,099	526,810	133,622,909
Less Accumulated Depreciation			
Land improvements	1,330,307	165,462	1,495,769
Buildings & improvements	47,903,420	4,317,282	52,220,702
Furniture & equipment	3,236,291	513,510	3,749,801
Total Accumulated Depreciation	52,470,018	4,996,254	57,466,272
Governmental Activities			
Capital Assets, net	\$ 84,983,912	\$ 167,378	\$ 85,151,290

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

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

Due To Other Funds	Due From Other Funds			
	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 657,659	\$ 657,659
Building Fund	4,612,647	-	98,171	4,710,818
Non-Major Funds	493,030	98,241	44,727	635,998
Total Due From Other Funds	\$ 5,105,677	\$ 98,241	\$ 800,557	\$ 6,004,475

The Adult Fund owes the General Fund for various employee benefits and goods and services in the amount of	\$ 70,843
The Child Development Fund owes the General Fund for various program support, such as benefits, goods and services, and indirect costs	262,056
The Cafeteria Fund owes the General Fund for various employee benefits and goods and services in the amount of	146,835
The Building Fund owes the General Fund for bond goods and services in the amount of	4,612,647
The Capital Facilities Fund owes the General Fund for administrative fees in the amount of	13,296
The Special Reserve for Capital Outlay Fund owes the Capital Facilities Fund for cash with fiscal agent fund for the COP in the amount of	32,832
The General Fund owes the Adult Fund for goods and services in the amount of	284
The General Fund owes the Child Development Fund for various services in the amount of	11,143
The General Fund owes the Cafeteria Fund for various services provided in the amount of:	13,935
The General Fund owes the Special Reserve for Capital Outlay Fund for RDA transfers in the amount of	632,297
The Building Fund owes the County Schools Facility Fund for various construction costs in the amount of	98,171
The County Schools Facility Fund owes the Building Fund for construction costs in the amount of	98,241
The Child Development Fund owes the Cafeteria Fund for services provided in the amount of	11,895
Total	\$ 6,004,475

B. Operating Transfers

Interfund Transfers Out	Interfund Transfers In			
	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 1,670,217	\$ 1,670,217
Building Fund	38,325	-	-	38,325
Non-Major Funds	26,600	98,241	2,958,429	3,083,270
Total Interfund Transfers	\$ 64,925	\$ 98,241	\$ 4,628,646	\$ 4,791,812

The Bond Interest and Redemption Fund transferred to the Debt Service for Blended Component Unit for the debt service required for the general obligation bond maturities in the amount of	\$ 2,925,597
The General Fund transferred Adult Education apportionment to the Adult Fund in the amount of	1,045,000
The General Fund transferred RDA revenue to the Special Reserve for Capital Outlay Fund in the amount of	625,217
The Child Development Fund transferred rental income to the General Fund in the amount of	26,600
The Building Fund transferred to the General for the parcel tax survey in the amount of	38,325
The County Schools Facility Fund transferred hardship revenue to the Building Fund in the amount of	98,241
The Special Reserve for Capital Outlay Fund transferred COP reserve money to the Capital Facilities Fund in the amount of	32,832
Total	\$ 4,791,812

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 38,841	\$ 4,647	\$ -	\$ 43,488
Vendors payable	1,153,356	80,663	-	1,234,019
Due to grantor government	9,573	-	-	9,573
Interest payable	-	-	382,386	382,386
Total	\$ 1,201,770	\$ 85,310	\$ 382,386	\$ 1,669,466

NOTE 7 – CURRENT LOANS

On July 1, 2010, the District issued a \$8,407,000 Tax Revenue Anticipation Note (TRAN). The TRAN has been paid back to the trustee, but does not mature until July 1, 2011. The TRANs are issued to supplement cash flow. The District is not required to make any additional payments on the note. The District has recorded the cash available to make the principal and interest payments as cash with fiscal agent.

On June 2, 2011, the District issued a General Obligation Bond Anticipation Note (BAN) in the amount of \$33,000,000 to be used a bridge financing until the District issues its new Measure J General Obligation Bonds. The maturity of the BANs are no later than June 1, 2012, interest due of \$620,650. The BANs are subject to a mandatory redemption in whole prior to their stated maturity date upon issuance by the District of Measure J bonds the proceeds of which, when combined with other lawfully available funds, are sufficient to redeem the BANs and the interest accrued thereon to the date of redemption.

	Balance July 01, 2010	Issued	Balance June 30, 2011
Tax and Revenue Anticipation Notes (TRANs)			
2010-11 TRAN	\$ -	\$ 8,407,000	\$ 8,407,000
2011 General Obligation Bond Anticipation Note (BAN)	-	33,000,000	33,000,000
Premium on BAN	-	371,488	371,488
Total	\$ -	\$ 41,778,488	\$ 41,778,488

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 1,691,451	\$ -	\$ 1,691,451
Local deferrals	59,725	7,500	67,225
Total	\$ 1,751,176	\$ 7,500	\$ 1,758,676

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below:

	Restated Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011	Balance Due In One Year	Long-term Balance
Governmental Activities						
General Obligation (GO) Bonds	\$ 36,550,000	\$ -	\$ 1,150,000	\$ 35,400,000	\$ 1,315,000	\$ 34,085,000
Certificates of Participation (COPs)	1,642,975	-	186,737	1,456,238	179,307	1,276,931
Compensated absences	693,136	-	55,659	637,477	-	637,477
EPA Loan	50,296	-	33,530	16,766	16,766	-
Net OPEB obligations	520,866	258,621	-	779,487	-	779,487
PARS	759,108	-	260,675	498,433	260,675	237,758
Total	\$ 40,216,381	\$ 258,621	\$ 1,686,601	\$ 38,788,401	\$ 1,771,748	\$ 37,016,653

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

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 \$36,825,170, as of the date of the refunding.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding		Bonds Outstanding	
				June 30, 2010	Redeemed	June 30, 2011	
2006	2023	4.00% - 5.25%	\$ 39,035,000	\$ 36,550,000	\$ 1,150,000	\$ 35,400,000	

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal		Interest		Total
2012	\$	1,315,000	\$	1,721,413	\$ 3,036,413
2013		1,490,000		1,665,313	3,155,313
2014		1,675,000		1,593,638	3,268,638
2015		1,885,000		1,504,638	3,389,638
2016		2,115,000		1,409,925	3,524,925
2017 - 2021		14,480,000		5,246,819	19,726,819
2022 - 2024		12,440,000		1,006,688	13,446,688
	\$	35,400,000	\$	14,148,434	\$ 49,548,434

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

B. Certificates of Participation

The District has two outstanding certificates of participation as of June 30, 2011:

Issue Date	Maturity Date	Interest Rate	Original Issue	COPs		Redeemed	COPs	
				Outstanding June 30, 2010			Outstanding June 30, 2011	
2004	2018	4.88%	\$ 1,037,000	\$ 677,975		\$ 66,737	\$ 611,238	
2009	2018	1.25% - 4.75%	965,000	965,000		120,000	845,000	
			<u>\$ 2,002,000</u>	<u>\$ 1,642,975</u>		<u>\$ 186,737</u>	<u>\$ 1,456,238</u>	

The annual requirements to amortize all certificates of participation, outstanding as of June 30, 2011 are as follows:

Year Ending June 30,	COPs					
	Refunding COP			Cafeteria COP		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 110,000	\$ 30,350	\$ 140,350	\$ 69,307	\$ 28,993	\$ 98,300
2013	110,000	27,463	137,463	72,730	25,570	98,300
2014	115,000	23,944	138,944	76,323	21,977	98,300
2015	120,000	19,825	139,825	80,093	18,207	98,300
2016	125,000	14,919	139,919	84,049	14,251	98,300
2017 - 2019	265,000	12,544	277,544	228,736	17,014	245,750
	<u>\$ 845,000</u>	<u>\$ 129,045</u>	<u>\$ 974,045</u>	<u>\$ 611,238</u>	<u>\$ 126,012</u>	<u>\$ 737,250</u>

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

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:

Year Ending	
June 30,	PARS Payments
2012	\$ 260,675
2013	237,758
Total	\$ 498,433

D. EPA Loan

The District has a non-interest bearing loan with the Environmental Protection Agency. The final payment is due in November 2011 for the remainder, \$16,766.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Non-restricted				
Reserve for revolving cash	\$ 25,000	-	\$ -	\$ 25,000
Reserve for stores inventory	90,607	-	55,906	146,513
Reserve for prepaid expenditures(expenses)	294,092	-	107,281	401,373
Reserve for all others	2,000	-	-	2,000
Total non-spendable	411,699	-	163,187	574,886
Spendable				
Restricted				
Educational programs				
Federal	99,254	-	-	99,254
State	1,184,982	-	-	1,184,982
Local	166,722	-	390,507	557,229
Food service	-	-	988,429	988,429
Total educational programs	1,450,958	-	1,378,936	2,829,894
Capital projects				
Capital facilities	-	-	226,831	226,831
Debt service				
General obligation bonds	-	-	3,028,138	3,028,138
Committed				
Adult education	-	-	712,395	712,395
Deferred maintenance	-	-	1,185,005	1,185,005
South San Francisco Unified School District Financing Corporation	-	-	32,832	32,832
South San Francisco Unified School District Financing Authority	-	-	119,008	119,008
Total committed	-	-	2,049,240	2,049,240
Assigned, other	7,489,989	-	2,364,462	9,854,451
Unassigned				
Reserve for economic uncertainties	3,446,568	-	-	3,446,568
Unassigned	2,938,478	-	-	2,938,478
Fund deficit	-	(4,410,421)	-	(4,410,421)
Total unassigned	6,385,046	(4,410,421)	-	1,974,625
Total	\$ 15,737,692	\$ (4,410,421)	\$ 9,210,794	\$ 20,538,065

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 10 – FUND BALANCES (continued)

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

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District major funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Building Fund	\$ 72,518	\$ 4,983,909	\$ (4,911,391)
Capital Facilities Fund	\$ 285,385	\$ 290,645	\$ (5,260)
County School Facilities Fund	\$ -	\$ 98,241	\$ (98,241)
Foundation Private-Purpose Trust Fund	\$ 6,600	\$ 7,500	\$ (900)

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

**NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB)**

A. Plan Description

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides health benefits to eligible retirees and their spouses based on agreements entered into with the South San Francisco Unified Teachers Association (SSFUTA), and the local California Service Employees Association (CSEA). These agreements require the District to provide postemployment health care benefits up to \$3,800 annually to all certificated employees and \$4,000 annually to all classified employees who retire from the District on or after attaining the age of 55, with at least 10 years of service. Participants to the Plan include 273 retirees and their beneficiaries currently receiving benefits, 16 terminated Plan members entitled to but not yet receiving benefits, and 3,985 active employees eligible for these benefits in a future period.

B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the SSFUTA, and CSEA. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually through the agreements between the District and the SSFUTA, and CSEA. For year ended June 30, 2011, the District contributed \$598,597 to the Plan, all of which was used for current premiums.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	853,000
Interest on net OPEB obligation		26,043
Adjustment to annual required contribution		(21,825)
Annual OPEB cost (expense)		857,218
Contributions made		(598,597)
Increase in net OPEB obligation		258,621
Net OPEB obligation, beginning of the year		520,866
Net OPEB obligation, end of the year	\$	779,487

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) (continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009, 2010 and 2011 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	\$ 882,000	71%	\$ 251,883
2010	850,680	68%	520,866
2011	857,218	70%	779,487

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the June 11, 2010 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return per year (net of administrative expenses), based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The UAAL is being amortized as a level percentage of payroll over a period of 30 years. The remaining amortization period at June 30, 2010, was 29 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

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

A. CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2010-11	\$ 2,775,571	100%
2009-10	\$ 2,908,571	100%
2008-09	\$ 2,845,403	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,435,559 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS (continued)

B. CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2010-11	\$ 1,883,853	100%
2009-10	\$ 1,897,189	100%
2008-09	\$ 1,810,271	100%

C. Social Security

As established by federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

C. Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
Capital Projects		
Measure J Bond Project - Energy Efficiency (Chevron)	\$ 4,337,550	Spring 2012
Measure J Bond Project - Various projects	236,772	N/A
Solar Energy permits/applications	62,500	N/A
<u>Total</u>	<u>\$ 4,636,822</u>	

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 15 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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 JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts.

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

During the year ended June 30, 2011, the District made payments of \$1,491,446 to SMCSIG.

NOTE 16 – PRIOR PERIOD RESTATEMENTS

	General Fund	Special Reserve Other Than Capital Outlay Fund	Debt Service for Blended Component Unit Fund	District-Wide
2010 Fund Balance/Net Assets	\$ 15,038,877	\$ 1,923,847	-	\$ 69,461,145
Decrease in:				
Cash in county	-	(1,929,524)	-	(1,929,524)
Accounts receivable	-	(5,148)	-	(5,148)
Interest payable	-	-	-	283,274
Due to other funds	-	3,325	-	3,325
Deferred revenue	-	7,500	-	7,500
Increase in:				
Cash in county	1,929,524	-	-	1,929,524
Cash with fiscal agent	-	-	118,498	118,498
Accounts receivable	5,148	-	-	5,148
Due to other funds	(3,325)	-	-	(3,325)
Deferred revenue	(7,500)	-	-	(7,500)
Long term debt	-	-	-	(181,172)
Restated Fund Balance/Net Assets	\$ 16,962,724	\$ -	\$ 118,498	\$ 69,681,745

NOTE 17 – SUBSEQUENT EVENTS

The District issued \$8,005,000 of TRANs dated July 28, 2011. The notes mature on June 29, 2012, and a coupon of 2.00% interest rate. The notes were sold to supplement cash flow. Repayment requirements are that 50% be deposited with the Fiscal Agent on January 31, 2012, and the rest April 30, 2012.

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REQUIRED SUPPLEMENTARY INFORMATION

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts			Variances - Positive / (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ (217,353)	\$ (294,412)	\$ (281,059)	\$ 13,353
Local sources	49,693,927	48,989,252	49,448,558	459,306
Transfers	4,318,916	4,776,081	5,093,509	317,428
Federal sources	3,850,521	6,848,836	4,763,912	(2,084,924)
Other state sources	4,613,469	9,633,120	9,293,654	(339,466)
Other local sources	2,152,582	2,269,912	2,392,811	122,899
Total Revenues	64,412,062	72,222,789	70,711,385	(1,511,404)
EXPENDITURES				
Certificated salaries	33,815,275	33,992,020	33,808,292	183,728
Classified salaries	10,195,311	10,127,074	9,983,524	143,550
Employee benefits	12,817,800	12,520,733	13,635,624	(1,114,891)
Books and supplies	1,417,282	3,912,554	2,824,560	1,087,994
Services and other operating expenditures	6,067,391	7,456,435	6,192,984	1,263,451
Capital outlay	14,500	14,500	19,299	(4,799)
Other outgo				
Excluding transfers of indirect costs	3,913,121	4,192,365	4,024,419	167,946
Transfers of indirect costs	(175,413)	(176,150)	(157,577)	(18,573)
Total Expenditures	68,065,267	72,039,531	70,331,125	1,708,406
Excess (Deficiency) of Revenues				
Over Expenditures	(3,653,205)	183,258	380,260	197,002
Other Financing Sources (Uses):				
Transfers in	236,600	259,600	64,925	(194,675)
Transfers out	(1,853,248)	(1,876,248)	(1,670,217)	206,031
Net Financing Sources (Uses)	(1,616,648)	(1,616,648)	(1,605,292)	11,356
NET CHANGE IN FUND BALANCE	(5,269,853)	(1,433,390)	(1,225,032)	208,358
Fund Balance - Beginning	16,962,724	16,962,724	16,962,724	-
Fund Balance - Ending	\$ 11,692,871	\$ 15,529,334	\$ 15,737,692	\$ 208,358

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2007	\$ -	\$ 12,036,000	\$ 12,036,000	0%	\$ 41,229,000	29.2%
6/11/2010	-	11,718,000	11,718,000	0%	45,002,000	26.0%

SUPPLEMENTARY INFORMATION

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education (CDE):			
No Child Left Behind:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 972,529
ARRA Title I, Part A, Basic Grants Low Income and Neglected	84.389	15005	32,896
Total Title I, Part A Cluster			1,005,425
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	61,181
Title I, Migrant Ed Summer Program	84.011	10005	20,233
Total Title I, Part C Cluster			81,414
Title II, Part A, Teacher Quality	84.367	14341	296,406
ARRA Title II, Part D, Enhancing Education Through Technology (EETT) Formula Grants	84.386	15019	14,940
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	358,710
Title V Part A, Innovative Education Strategies	84.298A	14354	866
ARRA: State Fiscal Stabilization Fund [1]	84.394	25008	551,465
Education Jobs Fund (SB 847)	84.410	25152	50,943
Special Ed, IDEA:	84.298A	14354	
Basic Local Assistance Entitlement, Part B, Section 611 (Formerly PL 94-142) [1]	84.027	13379	1,662,126
Local Assistance, Part B, Sec 611, Private School ISPs [1]	84.027	10115	3,093
ARRA: Part B, Sec 611, Basic Local Assistance [1]	84.391	15003	552,774
Preschool Grants, Part B, Section 619 (Age 3-4-5) [1]	84.173	13430	44,427
ARRA: Part B, Sec 619, Preschool Grants [1]	84.392	15000	39,895
Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5) [1]	84.027A	13682	85,072
ARRA: Part B, Sec 611, Preschool Local Entitlement [1]	84.391	15002	32,627
Total Special Ed, IDEA Cluster			2,420,014
Department of Rehabilitation: Workability II, Transitions Partnership	84.158	10006	47,924
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	40,002
Adult Education:			
Adult Basic Education & ESL	84.002A	14508	210,906
Adult Secondary Education	84.002	13978	11,711
English Literacy & Civics Education Local Grant	84.002A	14109	35,161
Total Adult Education Cluster			257,778
Total U. S. Department of Education			5,125,887
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through CDE:			
Child Nutrition: School Programs (e.g., School Lunch)	10.555	*	1,554,651
Nutrition Network	10.574	*	
Forest Reserve	10.665	10044	
Total U. S. Department of Agriculture			1,554,651
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through CDE:			
Child Development: ARRA Quality Improvement Activities	93.713	15010	5,767
Medi-Cal:			
Dept of Health Care Services (DHCS): Medi-Cal Billing Option [1]	93.778	10013	88,343
Unrestricted: Medi-Cal Administrative Activities (MAA) [1]	93.778	10060	358,453
Total Medi-Cal Cluster			446,796
Total U. S. Department of Health & Human Services			452,563
Total Federal Expenditures			\$ 7,133,100

[1] - Major Program

* - PCS Number not available

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	674	675
First through third	1,911	1,910
Fourth through sixth	1,940	1,941
Seventh through eighth	1,170	1,168
Home and hospital	2	3
Special day class	221	223
Special ed - nonpublic, nonsectarian	5	5
Extended year special education	70	70
Total Elementary	5,993	5,995
SECONDARY		
Regular classes	2,750	2,732
Continuation education	70	68
Home and hospital	4	5
Special day class	122	120
Special ed - nonpublic, nonsectarian	14	12
Community day school	14	18
Extended year special education	35	35
Total Secondary	3,009	2,990
Average Daily Attendance Total	9,002	8,985

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

Grade Level	1982 - 83	1982 - 83	1986 - 87 Minutes Requirement	1986 - 87	Weighted Average Goal Minutes	2010-11	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced		Minutes Reduced		Actual Minutes		
Kindergarten	35,920	34,922	36,000	35,000	N/A	46,640	180	Complied
Grade 1	48,312	46,970	50,400	49,000	50,400	52,260	180	Complied
Grade 2	48,312	46,970	50,400	49,000	50,400	52,260	180	Complied
Grade 3	48,312	46,970	50,400	49,000	50,400	52,260	180	Complied
Grade 4	48,312	46,970	54,000	52,500	50,400	52,260	180	Complied
Grade 5	48,312	46,970	54,000	52,500	50,400	52,260	180	Complied
Grade 6	49,860	48,475	54,000	52,500	N/A	61,920	180	Complied
Grade 7	49,860	48,475	54,000	52,500	N/A	61,920	180	Complied
Grade 8	49,860	48,475	54,000	52,500	N/A	61,920	180	Complied
Grade 9	63,440	61,678	64,800	63,000	N/A	65,342	180	Complied
Grade 10	63,440	61,678	64,800	63,000	N/A	65,342	180	Complied
Grade 11	63,440	61,678	64,800	63,000	N/A	65,342	180	Complied
Grade 12	63,440	61,678	64,800	63,000	N/A	65,342	180	Complied

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	\$ 66,680,865	\$ 70,711,385	\$ 71,559,682	\$ 76,688,695
Transfers in	26,600	64,925	900,404	-
Total	66,707,465	70,776,310	72,460,086	76,688,695
Expenditures	71,058,056	70,331,125	73,471,586	71,855,051
Other uses and transfers out	1,643,248	1,670,217	1,843,579	2,131,096
Total	72,701,304	72,001,342	75,315,165	73,986,147
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ (5,993,839)	\$ (1,225,032)	\$ (2,855,079)	\$ 2,702,548
ENDING FUND BALANCE ¹				
	\$ 9,743,853	\$ 15,737,692	\$ 15,038,881	\$ 17,893,960
AVAILABLE RESERVES ²				
	\$ 5,941,634	\$ 6,385,046	\$ 10,769,962	\$ 10,047,769
AVAILABLE RESERVES AS A				
PERCENTAGE OF OUTGO	8.2%	8.9%	14.3%	13.6%
LONG-TERM DEBT				
	\$ 38,788,401	\$ 40,216,381	\$ 39,896,678	
AVERAGE DAILY				
ATTENDANCE AT P-2 ³	9,055	9,002	9,368	9,035

The General Fund balance has decreased by \$2,156,286 over the past two years. The fiscal year 2011-2012 budget projects a further increase/decrease of \$5,993,839 (38 percent). For a district this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long term obligations have decreased by \$1,108,277 over the past two years.

Average daily attendance has decreased by 33 ADA over the past two years. An increase of 53 ADA is anticipated during fiscal year 2011-2012.

¹ For fiscal year 2011, the General Fund activity and Ending Fund Balance will now, additionally, be comprised of the Special Reserve Fund for Other Than Capital Outlay.

² Available Reserves consist of all unassigned fund balance within the General Fund, including Economic Uncertainties.

³ Excludes Adult and ROP ADA

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, 2011**

	General Fund	Special Reserve Other Than Capital Outlay Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Debt Service for Blended Component Unit Fund
FUND BALANCE						
Balance June 30, 2011, Unaudited Actuals	\$ 13,831,170	\$ 1,906,522	\$ 28,218,091	\$ 319,793	\$ 2,494,413	\$ -
Increase in:						
Cash in county	1,947,802	-	-	-	-	-
Cash w/ fiscal agent			371,488	-	-	119,008
Accounts receivable	6,020	-	-	-	-	-
Due from other funds	-	78,125	-	32,832	-	-
Due to other funds	-	(38,325)	-	-	(32,832)	-
Current loans			(33,000,000)	-	-	-
Deferred revenue	(7,500)	-	-	-	-	-
Decrease in:						
Cash in county	-	(1,947,802)	-	-	-	-
Cash w/ fiscal agent				-	(114,553)	-
Accounts receivable	-	(6,020)	-	-	-	-
Due from other funds	(78,125)	-	-	-	-	-
Due to other funds	38,325	-	-	-	-	-
Deferred revenue	-	7,500	-	-	-	-
Audited financial statement	\$ 15,737,692	\$ -	\$ (4,410,421)	\$ 352,625	\$ 2,347,028	\$ 119,008

Special Reserve Fund for Other Than Capital Outlay Projects. This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (Education Code Section 42840). Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made (Education Code Section 42842).

Although this fund is authorized by statute, it does not meet the GAAP definition of a special revenue fund; it functions effectively as an extension of the general fund. For presentation in the audited financial statements, this fund can either be combined with the general fund, or it can be reported separately and the departure from GAAP explained.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011**

There are no charter schools sponsored by the District.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET**

JUNE 30, 2011

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Debt Service for Blended Component Unit Fund	Non-Major Governmental Funds
ASSETS										
Cash and cash equivalents	\$ 566,035	\$ 597,227	\$ 1,076,845	\$ 1,181,444	\$ 239,162	\$ -	\$ 1,750,648	\$ 3,020,537	\$ 119,008	\$ 8,550,906
Accounts receivable	258,467	113,473	35,778	3,683	965	70	4,915	7,601	-	424,952
Due from other funds	284	11,143	25,830	-	32,832	98,171	632,297	-	-	800,557
Stores inventory	-	-	55,906	-	-	-	-	-	-	55,906
Prepaid expenditures	5,818	1,342	7,159	-	92,962	-	-	-	-	107,281
Total Assets	\$ 830,604	\$ 723,185	\$ 1,201,518	\$ 1,185,127	\$ 365,921	\$ 98,241	\$ 2,387,860	\$ 3,028,138	\$ 119,008	\$ 9,939,602
LIABILITIES										
Accrued liabilities	\$ 41,548	\$ 39,951	\$ 3,189	\$ 122	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ 85,310
Due to other funds	70,843	273,951	146,835	-	13,296	98,241	32,832	-	-	635,998
Deferred revenue	-	-	-	-	-	-	7,500	-	-	7,500
Total Liabilities	112,391	313,902	150,024	122	13,296	98,241	40,832	-	-	728,808
FUND BALANCES										
Non-spendable	5,818	1,342	63,065	-	92,962	-	-	-	-	163,187
Restricted										
Educational programs	-	390,507	988,429	-	-	-	-	-	-	1,378,936
Capital projects	-	-	-	-	226,831	-	-	-	-	226,831
Debt service	-	-	-	-	-	-	-	3,028,138	-	3,028,138
Committed	712,395	-	-	1,185,005	32,832	-	-	-	119,008	2,049,240
Assigned	-	17,434	-	-	-	-	2,347,028	-	-	2,364,462
Total Fund Balances	718,213	409,283	1,051,494	1,185,005	352,625	-	2,347,028	3,028,138	119,008	9,210,794
Total Liabilities and Fund Balance	\$ 830,604	\$ 723,185	\$ 1,201,518	\$ 1,185,127	\$ 365,921	\$ 98,241	\$ 2,387,860	\$ 3,028,138	\$ 119,008	\$ 9,939,602

See accompanying note to supplementary information.

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest & Redemption Fund	Debt Service for Blended Component Unit Fund	Non-Major Governmental Funds
REVENUES										
Federal sources	\$ 257,778	\$ 5,767	\$ 1,554,651	\$ -	\$ -	\$ -	\$ -	\$ 202	\$ -	\$ 1,818,398
Other state sources	82,274	538,607	125,500	-	-	97,961	-	18,996	-	863,338
Other local sources	172,267	1,043,563	825,765	14,366	457,030	280	19,087	3,426,232	1	5,958,591
Total Revenues	512,319	1,587,937	2,505,916	14,366	457,030	98,241	19,087	3,445,430	1	8,640,327
EXPENDITURES										
Current										
Instruction	820,152	1,312,571	-	-	-	-	-	-	-	2,132,723
Instruction-related services										
School site administration	370,983	342,206	-	-	-	-	-	-	-	713,189
Pupil services										
Food services	-	-	2,115,594	-	-	-	-	-	-	2,115,594
All other pupil services	39,083	-	-	-	-	-	-	-	-	39,083
General administration										
All other general administration	-	72,164	85,413	-	13,296	-	-	-	-	170,873
Plant services	141,238	98,280	8,565	135,035	17,107	-	114,553	-	-	514,778
Facilities acquisition and maintenance	-	17,772	-	79,547	119,941	-	149,840	-	-	367,100
Debt service										
Principal	-	-	66,736	-	120,000	-	33,531	-	1,150,000	1,370,267
Interest and other	-	-	31,564	-	20,301	-	-	-	1,775,088	1,826,953
Total Expenditures	1,371,456	1,842,993	2,307,872	214,582	290,645	-	297,924	-	2,925,088	9,250,560
Excess (Deficiency) of Revenues Over Expenditures	(859,137)	(255,056)	198,044	(200,216)	166,385	98,241	(278,837)	3,445,430	(2,925,087)	(610,233)
Other Financing Sources (Uses)										
Transfers in	1,045,000	-	-	-	32,832	-	625,217	-	2,925,597	4,628,646
Transfers out	-	(26,600)	-	-	-	(98,241)	(32,832)	(2,925,597)	-	(3,083,270)
Net Financing Sources (Uses)	1,045,000	(26,600)	-	-	32,832	(98,241)	592,385	(2,925,597)	2,925,597	1,545,376
NET CHANGE IN FUND BALANCE	185,863	(281,656)	198,044	(200,216)	199,217	-	313,548	519,833	510	935,143
Fund Balance - Beginning	532,350	690,939	853,450	1,385,221	153,408	-	2,033,480	2,508,305	118,498	8,275,651
Fund Balance - Ending	\$ 718,213	\$ 409,283	\$ 1,051,494	\$ 1,185,005	\$ 352,625	\$ -	\$ 2,347,028	\$ 3,028,138	\$ 119,008	\$ 9,210,794

See accompanying note to supplementary information.

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SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which 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.

C. Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. The District used the weighted average method to achieve compliance with instructional minutes time requirements.

D. 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.

E. Schedule of Annual Financial and Budget Report with Audited Financial Statements

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

F. Schedule of Charter Schools

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

G. Combining Statements – Non-Major Governmental Funds

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

H. Local Education Agency Organization Structure

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

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**OTHER INDEPENDENT
AUDITORS' REPORTS**

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A PROFESSIONAL ACCOUNTANCY CORPORATION

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

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

We have audited the financial statements of South San Francisco Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

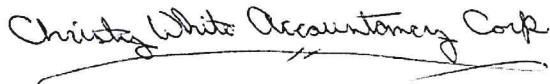
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2011-01 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South San Francisco Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

South San Francisco Unified School District's responses to the finding as identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the South San Francisco Unified School District's response and, accordingly, we express not opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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.

Christy White Accountancy Corp

Rancho Cucamonga, California
December 5, 2011



A PROFESSIONAL ACCOUNTANCY CORPORATION

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

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

Compliance

We have audited South San Francisco Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. South San Francisco Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of South San Francisco Unified School District's management. Our responsibility is to express an opinion on South San Francisco Unified School District's compliance based on our audit.

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

In our opinion, South San Francisco Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

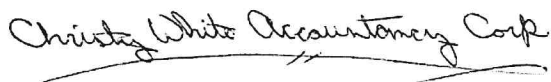
Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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.

A handwritten signature in cursive script that reads "Christy White".

Rancho Cucamonga, California
December 5, 2011



PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Not Applicable

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

In our opinion, South San Francisco Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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.

Christy White Accountancy Corp

Rancho Cucamonga, California
December 5, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

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**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
84.394	ARRA: State Fiscal Stabilization Fund
84.027, 84.173, 84.391, & 84.392	Special Education Cluster, ARRA
93.778	Medi-Cal Cluster

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

STATE AWARDS

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

FIVE DIGIT CODE

30000

AB 3627 FINDING TYPE

Internal Control

2011-01 30000

ASSOCIATED STUDENT BODY (ASB)

CRITERIA:

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

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

CONDITIONS:

Martin Elementary School

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

Parkway Heights Middle School

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2011**

2011-01 **30000, continued**
ASSOCIATED STUDENT BODY (ASB)

CONDITIONS:, continued

El Camino High School

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

Monte Verde Elementary School

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

CAUSE:

Unknown

EFFECT OR POTENTIAL EFFECT

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

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2011

2011-01 30000, continued
 ASSOCIATED STUDENT BODY (ASB)

RECOMMENDATION:

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

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

DISTRICT RESPONSE:

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

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no audit findings and questioned costs related to federal awards during 2010-11.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no audit findings and questioned costs related to state awards during 2010-11.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

FIVE DIGIT CODE

30000

AB 3627 FINDING TYPE

Internal Control

2010-01 30000
 ASB FUNDS

Finding:

- The collection of the vending machine monies is not centralized. The school board should create a policy to provide direction and parameters regarding how vending machines may be used in the District.
- The ASB Bookkeeper is the signor on the account. For the Middle and High Schools the ASB Bookkeeper should not be the signor on the account.

Alta Loma Middle School

Through inquiry and testing of student funds at Alta Loma Middle School, we found that 2 out of 5 cash disbursements tested did not have adequate supporting documents (ie. Evidence of receipts, invoices, logs etc). We also found that 5 out of 5 cash receipts support was not readily available to the auditors except for deposit slip (i.e. Cash count forms, ticket logs, pre-numbered tickets etc.). Upon further inquiry it was also determined budgets and club minutes are not being prepared and bank deposits are not being reconciled to cash receipts. In our observation of the student store we noticed that there did not appear to be an organized system for the distribution of goods or receipt of funds disorganized and daily cash counts appear to be inaccurate and messy allowing for the opportunity for theft.

Recommendation

We recommend that the ASB bookkeeper centralize all of the supporting documentation for cash receipts, cash disbursements, club minutes and charters. We recommend that the District re-train the sites on internal controls over the ASB and other areas noted above. Also we recommend that the District discontinue the operation of the student store due to the inadequacy of proper procedures and difficulty of running the student store adequately.

Ponderosa Elementary School

Through inquiry and testing of student funds at Ponderosa Elementary School, we found that 1 out of 7 cash disbursements tested did not have adequate supporting documents (i.e. Evidence of receipts, invoices, logs etc) for checks written with student funds. We also found that 5 out of 5 cash receipts support was not readily available to the auditors except for deposit slip (i.e. Cash count forms, ticket logs, pre-numbered tickets etc.). We also observed that checks on hand have been pre-signed.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2011

2010-01 30000, continued
 ASB FUNDS

Recommendation

We recommend that the ASB bookkeeper centralize all of the supporting documentation for cash receipts, cash disbursements. We recommend that the District re-train the sites on internal controls over the ASB and other areas noted above for Ponderosa Elementary School. We also recommend that the checks are only signed when paying for goods.

Skyline Elementary School

Through inquiry and testing of student funds at Skyline Elementary School, we found that 5 out of 5 cash receipts support was not readily available to the auditors except for deposit slip (i.e. Cash count forms, ticket logs, pre-numbered tickets etc.).

Recommendation

We recommend that the ASB bookkeeper centralize all of the supporting documentation for cash receipts.

South San Francisco High School

Through inquiry and testing of student funds at South San Francisco High School, we found that 1 out of 15 cash disbursements tested did not have proper approvals. We also found that 4 out of 15 cash receipts support was not readily available to the auditors except for deposit slip (i.e. Cash count forms, ticket logs, pre-numbered tickets etc.). Upon further inquiry it was also determined equipment is not being inventoried, budgets and club minutes are not being prepared and bank deposits are not being reconciled to cash receipts. In our observation of the student store we noticed that there did not appear to be an organized system for the distribution of goods or receipt of funds disorganized and daily cash counts appear to be inaccurate and messy allowing for the opportunity for theft.

Recommendation

We recommend that the ASB bookkeeper obtain all of the supporting documentation for cash receipts, cash disbursements. We recommend that the District re-train the sites on internal controls over the ASB and other areas noted above for South San Francisco High School.

Current Status

Partially Implemented