



Financial Statements  
June 30, 2021

San Francisco Unified School District

# San Francisco Unified School District

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June 30, 2021

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## Independent Auditor's Report

Board of Education  
San Francisco Unified School District  
San Francisco, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco Unified School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Francisco Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position (deficit) and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of District contributions for OPEB, schedule of the District's proportionate share of the net pension liability, and the schedule of pension contributions on page 4 through 16 and 74 through 80, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2022 on our consideration of 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Francisco Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Francisco Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Bailly" connected at the top, and "LLP" written below them to the right.

Menlo Park, California

January 31, 2022

# San Francisco Unified School District

Management's Discussion and Analysis

June 30, 2021

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The San Francisco Unified School District ("SFUSD" or the "District") is the sixth largest school district in California, and currently educates approximately 57,000 students, including district, county, and charter school pupils, who live in the 49 square mile area of the City and County of San Francisco. The San Francisco Unified School District was established in 1851. The District is governed by an elected Board of seven members. The District also administers the County Office of Education.

The District and County Office of Education provide pre-kindergarten, transitional kindergarten, kindergarten, elementary, middle and secondary education in the City and County of San Francisco through a network of 136 schools as follows:

- 12 early education schools
- 64 elementary schools (TK-5)
- 8 alternatively configured schools (TK-8)
- 13 middle schools (6-8)
- 14 high schools (9-12)
- 3 continuation/alternative schools, including an independent study school
- 8 court and county community schools and programs
- 14 district-authorized charter schools

The majority of the District's elementary schools have designated attendance areas giving priority to students living within those attendance boundaries. The remaining elementary schools are "City-wide schools" with no designated attendance area. Each middle school is linked to several elementary schools through feeder patterns; however, all SFUSD schools enroll students based on parent/guardian request and provide significant opportunities for parental choice in enrollment.

The District is also the chartering entity and has oversight responsibility for fourteen charter schools: City Arts and Technology High School, Creative Arts Charter School, Five Keys Charter School, Five Keys Adult School, Five Keys Independence High School, Gateway High School, Gateway Middle School, KIPP Bayview Academy, KIPP San Francisco Bay Academy, KIPP San Francisco College Preparatory, Leadership High School, Life Learning Academy, Thomas Edison Charter Academy and Mission Preparatory.

The District's diverse student demographics includes 30% Asian, 33% Hispanic, 14% White, 7% African American, 3% Filipino, 1% Pacific Islander and 12% "Other". Approximately 26% of the student population is designated as English Language Learners, 16% Special Education and 50% is free and reduced-price lunch eligible. This diverse population enriches SFUSD and calls for focused investments to support varying socioeconomic and learning needs of its students.

## Strategic Planning

SFUSD began a deliberate course of action in 2008 with its strategic plan, *Beyond the Talk: Taking Action to Educate Every Child Now*. Beyond the Talk represented our community's bold aspirational goals that have remained unchanged, while we continue our deep and unrelenting commitment to our three District goals:

**Access and Equity** – Make social justice a reality by ensuring every student has access to high quality teaching and learning.

**Student Achievement** – Create learning environments in all SFUSD schools that foster highly engaged and joyful learners and that support every student reaching their potential.

**Accountability** – Keep district promises to students and families and enlist everyone in the community to join in doing so.

Next, in the fall of 2013, the District developed a new vision to transform the city's school system, through *Transform Learning, Transform Lives. A Guidebook Towards Vision 2025*, which can be found at <https://www.sfusd.edu/about-sfusd/our-mission-and-vision/vision-2025>. Vision 2025 aimed to establish SFUSD as one of the premier systems in the world by ensuring that all students graduate from high school with the skills, capacities and dispositions for 21<sup>st</sup> Century success through:

**Content Knowledge** – Help our students master the fundamentals in math, English, computer science and art, and develop problem-solving and critical analytical skills.

**Creativity** – Provide opportunities for our students to be creative, tackle environmental problems and make communities more inclusive.

**Career and Life Skills** – Help students to acquire knowledge, skills, and experience they need to navigate in the world, think critically and communicate effectively.

**Global, Local and Digital Identity** – Help to equip students with the skills of the future, including learning new languages, understanding new technologies, and participating in local apprenticeships.

**Leadership, Empathy, and Collaboration** – Organize and encourage teamwork and collaboration, both with peers and partners outside the classroom, such as family members and mentors.

**Sense of Purpose and Sense of Self** – Nurture our students' growth and teach them life lessons so they can recognize their purpose and value, and encourage each student to reach their full potential, whether they require extra support or a new challenge.

The District's current Superintendent, Dr. Vincent C. Matthews, was hired in May, 2017 and has continued the work of building a rigorous Common Core-based curriculum, investing in the professional learning of teachers, leaders and school staff, enlisting partners and engaging families, and building an accountability system that includes a comprehensive assessment of student learning, all in service of *Vision 2025*.

The strategic focus of the District has resulted in improved educational outcomes for its students. The 2019 SBAC results show SFUSD students remaining ahead of their peers in California and in most large urban districts in both English Language Arts and Mathematics. 55% of district students overall are now meeting or exceeding the standards in English Language Arts, up from 55% in the previous year, and higher than the state average of 51%. In Math, 51% of students are now meeting or exceeding the standards, which is no change from the prior year, and higher than the state average of 40%.

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According to new data released from the California Department of Education (CDE) School Dashboard, the graduation rate for the San Francisco Unified School District (SFUSD) rose to 88.3% in the 2020-21 school year, compared to 87.3% in 2019-20 and 83.6% statewide. The greatest improvements were seen with African American and Special Education students.

## **Local Funding Sources**

Securing local revenues has been a critical strategy for helping the District meet its goals, by increasing resources for students and providing competitive salaries and professional development opportunities in order to recruit and retain high quality educators.

First, in June 2008, Proposition A, the Quality Teacher & Education Act ("QTEA"), was passed by the voters of San Francisco to deliver over \$40 million annually to the District for the next twenty years, through fiscal year 2028-29. These resources assist in recruiting and retaining effective teachers, supporting innovative instructional strategies, increasing accountability, and improving the District's technology infrastructure. The District received \$44.9 million of QTEA funding in FY 2020-21.

Additionally, the Public Education Enrichment Fund (PEEF), was approved by the voters of San Francisco in March, 2004, and re-established in 2014. The district receives two-thirds of the annual PEEF allocation from the City with the remaining one-third going to the City's Department of Early Care and Education for support to preschool. The district's portion of PEEF is used to support sports, libraries, the arts and music (SLAM) as well as programs such as Wellness Centers, Student Support Professionals at schools, Translation Services, STEAM curriculum, and Peer Resources, to name a few. The District received \$71.1 million of PEEF revenue in 2020-21.

Finally, the Living Wage for Educators Act (LWEA) parcel tax measure was passed by voters in 2018 with a 61% vote. In 2020, LWEA was replaced by the Fair Wages for Educators Act (FWEA) to secure a 74% voter approval and generate over \$48 million annually through to fiscal year 2038. Both LWEA and FWEA support targeted increases to educator salaries and professional development.

## **Financial Highlights**

### **Budgeting**

The SFUSD adopted budget is developed based on the latest information on revenue projections received from the Governor's May revision to the state budget, which is typically released a few months before the final State budget is passed. The District held budget hearings and adopted the FY 2020-21 budget in accordance with provisions of the California Education Code. The budget reflects the District's goals to emphasize the achievement of all students and to narrow the achievement gap for our African-American students. Throughout the budget development process, staff is encouraged to work with the community to develop sound decisions that support the needs of all students.

# San Francisco Unified School District

Management's Discussion and Analysis

June 30, 2021

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Only grants that the District is certain of receiving are included in the adopted budget. Additional programs are budgeted as grant awards are received during the course of the year. Grants are budgeted to be fully expended. Carryover funds are budgeted when carryover balances are determined and per instructions from program managers. As program needs change during the year, changes and revisions to the adopted budget are made throughout the year to reflect these changes. Budget transfers and budget revisions are made on an ongoing basis, and new programs are budgeted throughout the fiscal year. We have included a budgetary comparison schedule on page 74 providing the adopted and final budgets compared with actual revenues and expenditures.

## **Unrestricted General Fund Results of Operations**

During fiscal year 2020-21, the District's unrestricted general fund ending balance, which includes nonspendable, and unassigned balances, increased from \$9.8 million to \$42.8 million, a \$33.0 million or 337% increase due to the receipt of nonrecurring Federal grants and deliberate efforts to increase budget stabilization reserves to help address anticipated future year deficits.

Compared to the previous fiscal year, unrestricted general fund revenues were \$603.1 million, an increase of \$9.8 million, or 1.7%, and unrestricted general fund expenditures and transfers out were \$570.2 million, a decrease of \$54.1 million or 8.7%. This is due primarily to operating savings that resulted from the pandemic, increase in employee salaries negotiated under a new three year contract that became effective as of the start of the fiscal year as well as increases in the CALSTRS retirement contribution rate. Total salaries increased by 7% to \$305.6 million from \$285.5 million the previous year, while the employer contribution rate for teachers' retirement rose from 14.43% of certificated payroll to 17.10% of certificated payroll, a 2.67% increase.

The general fund contributed to the child development program (Fund 12), the cafeteria program (Fund 13), and the deferred maintenance fund (Fund 14). Transfers to other funds in the amount of \$15.8 million are \$4.4 million or 28% higher than 2019-20 levels due to an end of year balance in the 81500 Maintenance Reserve in Fund 01 resulting from operating savings during the pandemic that should be used to address deferred maintenance needs.

## **General Fund Ending Balance and Reserves**

The District's combined general fund ending balance on June 30, 2021 (restricted plus unrestricted) was \$126.2 million. The restricted portion of \$85.0 million will broadly be used for instructional activities, although its use is restricted for specific program activities and cannot be counted as available (unrestricted reserves). The District's available reserves, consisting of amounts designated for economic uncertainty and other unassigned fund balances of the general fund, were \$39.7 million, an increase of \$30.8 million or 344% over the fiscal year 2019-20. Much of the increase is due to deliberate efforts to maximize the use of non-recurring COVID related federal funds and build up budget stabilization reserves to help address anticipated future year deficits.

San Francisco Unified School District  
Management's Discussion and Analysis  
June 30, 2021

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The following comparison of revenue and expenditures focuses solely on general fund operations. Table I shows the year to year revenue and Table II shows the same comparison of expenditures.

**Table I**

<i>(Amounts in thousands)</i>			<b>Variance</b>	
	<b>2020</b>	<b>2021</b>	\$	%
Local control funding formula	\$ 534,483	\$ 531,948	\$ (2,535)	-0.5%
Federal sources	23,395	70,801	47,406	202.6%
Other state sources	81,236	114,801	33,565	41.3%
Local sources	255,893	271,242	15,349	6.0%
	<b>\$ 895,007</b>	<b>\$ 988,792</b>	<b>\$ 93,785</b>	<b>10.5%</b>

**Table II**

<i>(Amounts in thousands)</i>			<b>Variance</b>	
	<b>2020</b>	<b>2021</b>	\$	%
Instruction	\$ 495,909	\$ 530,700	\$ 34,791	7.0%
Instruction related activities	189,033	165,517	(23,516)	-12.4%
Pupil services	66,766	73,379	6,613	9.9%
General administration	43,540	64,828	21,288	48.9%
Plant services	68,418	65,148	(3,270)	-4.8%
Capital outlay	7,026	7,053	27	0.4%
Ancillary and enterprise services	4,860	2,079	(2,781)	-57.2%
Other outgo	51,106	845	(50,261)	-98.3%
Transfers out	11,365	15,804	4,439	39.1%
	<b>\$ 938,023</b>	<b>\$ 925,353</b>	<b>\$ (12,670)</b>	<b>-1.4%</b>

The variances noted above are largely due to negotiated salary increases due to collective bargaining agreements, increases in the district's contributions to teachers' retirement plans, as well as expenditures related to state categorical programs like the College Readiness Block Grant.

## Overview of the Financial Statements

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations in *more detail* than the *government-wide statements*.
- The *governmental funds statements* tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary fund statements* offer financial information about the activities the District operates on a cost reimbursement basis, such as the Self-insurance Fund.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. Fiduciary fund activity is excluded from the *government-wide financial statements*.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with comparisons of the District’s General and County School Service Fund budgets, both the adopted and final version, with year-end actuals.

## Government-Wide Statements

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

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

- Over time, increases or decreases in the District’s net position may be an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District’s property tax base, its student enrollment data, the State’s fiscal health and the condition of school buildings and other facilities.

## Fund Financial Statements

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

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

The District has three kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations between the district-wide statements and the fund financial statements are provided.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. The District uses one internal service fund – the self-insurance fund – to account for and report activities related to the self-insured workers compensation program.
- Fiduciary funds – The District holds assets in a custodial capacity that belong to external entities such as charter schools. The District is responsible for remitting the payroll withholding to benefit providers and taxing authorities on behalf of these external entities. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the district-wide financial statements because they cannot be used to finance operations.

## **Reporting the District as A Whole**

### **The Statement of Net Position and the Statement of Activities**

The statement of net position and the statement of activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

The statement of net position and the statement of activities report all of the District's financial activity as in support of "governmental activities." Governmental activities includes the education of kindergarten through grade twelve students, county office of education programs, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state, and local grants, as well as general obligation bonds, finance these activities.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# San Francisco Unified School District

Management's Discussion and Analysis

June 30, 2021

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## **Governmental Funds**

Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

## **Proprietary Funds**

We use an internal service fund (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's self-insured workers compensation program. This activity is reported with governmental activities in the government-wide financial statements.

## **The District as A Trustee**

### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for funds held on behalf of external entities. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **Capital Assets and Debt Administration**

For financial accounting purposes, capital assets are valued at historical cost less accumulated depreciation and are not intended to present an estimate of fair market value. At the close of the year ended June 30, 2021, the District's capital assets totaled \$2,673 million. Accumulated depreciation was \$764.8 million at year end. Depreciation expense for the year totaled \$64.7 million. Net book value (the amount of total assets after applying depreciation) increased by \$123.6 million to \$1,907 million.

The historical construction cost of most school sites dating back to the date the school district was first opened have not been included as such costs would have been fully depreciated when accounting standards required such information to be reported. See note 4 on page 47 to the accompanying financial statements for a complete summary of the District's capital assets.

# San Francisco Unified School District

## Management's Discussion and Analysis

June 30, 2021

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### Long-Term Liabilities

Long-term liabilities consist primarily of the unfunded portions of employee pensions, unfunded portions of post-employment medical benefits and general obligation bonded debt. The following tables presents a summary of the District's most significant long-term liabilities on June 30, 2021, and presents the increase from the previous fiscal year.

<i>(Amounts in thousands)</i>	2020	2021	Net Variance	
			\$	%
CalSTRS and SFERS unfunded pension amounts	\$ 836,407	\$ 942,537	\$ 106,130	12.7%
Post-employment medical unfunded amounts	782,069	1,012,296	230,227	29.4%
Long-term bonded debt	897,534	1,067,675	170,141	19.0%
Other	46,681	33,193	(13,488)	-28.9%
	<u>\$ 2,562,691</u>	<u>\$ 3,055,700</u>	<u>\$ 493,010</u>	<u>19.2%</u>

The total OPEB liability and the net pension liability is (collectively \$2.0 billion) in-effect “unpaid compensation” to employees for past service. Unlike other forms of long-term liabilities such as general obligation bonds, these amounts will be funded with District resources, primarily from the general fund. Complete information regarding OPEB and pension is described in Note 11 and Note 13.

### Financial Analysis of the District as A Whole

#### Net Position

The District's deficit net position on June 30, 2021 was \$(256.7) million. Of this amount, \$988.5 million represents net investment in capital assets, while \$241.8 million is restricted for various purposes. The deficit unrestricted net position of \$(1,487) million largely includes the aggregate net pension liability and the total postemployment benefits obligation, of \$690.0 million and \$838.1 million, respectively on June 30, 2021 inclusive of deferrals. The aggregate net pension liability increased \$104.1 million or 12.4% from June 30, 2020. The other postemployment benefits liability increased \$230.2 million or 29.4% from June 30, 2020. A reconciliation of the unrestricted deficit net position and the positive unassigned general fund is on page 50.

#### Factors Bearing on the District's Future

The District's financial outlook relies heavily upon its ability to address its structural budget deficit, restore reserves, and address its long-term pension and retiree benefits liabilities, all amidst the challenges of operating a district through the novel coronavirus disease 2019 (“COVID-19”) pandemic.

### **Budget Stabilization**

Even before the pandemic began, SFUSD faced a structural budget deficit. For several years the District drew down its reserves as revenue growth failed to keep up with the growing cost of running the seventh largest school district in one of the costliest, yet high poverty cities in the state. Over that time, the District aimed to control costs by carving back at its Central Office, yet in FY 2019-20 it was clear that deeper reductions would be required to stabilize the budget. Then, with school closures and the rollout of distance learning to address the spread of COVID-19 in San Francisco as well as across the state and country, SFUSD was forced to address the educational crisis of our century with constrained resources.

The availability of federal stimulus funds and one-time state resources allowed the District to balance its budget and address new pandemic-driven costs between FY 2020-21 and FY 2021-22. In FY 2020-21, federal stimulus funding and the dedication of state funding helped SFUSD address the bulk of its \$57 million budget deficit. Again, in FY 2021-22, a total of \$119 million federal stimulus funding was used to address a budget deficit of \$100.2 million, allowing SFUSD to welcome all students back to more stable in-person classrooms and maintain a reserve to address unforeseen expenses related to the pandemic. By avoiding destabilizing budget cuts to date, SFUSD has been able to provide social-emotional and learning recovery support as students transition back from distance learning, possible learning loss, social isolation, and other hardships. However, due to the one-time nature of the federal stimulus funds to address prior year deficits, the District still must address a major structural deficit, including projected budget shortfalls of \$125 million in FY 2022-23 and \$143 million in FY 2023-24.

In its [September 15, 2021 letter to the District's Superintendent](#), the California Department of Education (CDE) directed SFUSD to develop a balancing plan by December 2021 and submit a balanced budget by July 1, 2022. Additionally, CDE assigned two fiscal experts to help guide the District through the budget balancing process. SFUSD responded to these directives by implementing a Zero-Based Budget process in the Fall of 2021 that aimed to prioritize District spending in three categories: Core Services, District Priorities, and Service Enhancements. Budget reductions aimed to scale back Service Enhancements, identify ways to configure the delivery of Core and Priority services more efficiently, and preserve high leverage and high impact investments. Staff engaged with school site leaders, labor partners, parent groups, and other stakeholders who will offer valuable perspectives that inform our strategies. By organizing the budget processes in this way, all effort was made to minimize harm to students as a result of budget cuts.

On December 14, 2021, the Board of Education approved an [FY 2022-23 and FY 2023-24 Budget Balancing Plan](#) that will be revisited as part of the District's FY 2021-22 Second Interim Report. The current plan includes \$90 million expenditure reductions and \$35 million new one-time and ongoing funding sources. With an improved revenue outlook in the Governor's January Budget, the District expects to restore a portion of funding to school site budgets, direct services, and central office services that most support students. As the District moves to address its structural deficit, it is critical that the use of one-time sources is limited and expenditures are reduced to align with student enrollment and projected ongoing revenues.

### ***Reserves and Liabilities***

Restoring District reserves and addressing long term liabilities are also critical for building a path towards fiscal stability and sustainability. Otherwise, SFUSD will continue to be vulnerable to unforeseen economic conditions, such as the economic recession driven by COVID-19, and its balance sheet will further decline as liabilities grow over time. For example, SFUSD currently pays approximately \$37 million annually for existing retirees and holds a \$1.0 billion unfunded liability for future retirees. If no significant investments are made to pre-fund the cost of retiree benefits, in 10 years (2031) the annual cost for current employees will far surpass \$50 million and the overall liability will grow to an estimated \$1.9 billion.

The District's success in a lawsuit in opposition to the Proposition G-Living Wages for Educators Act ("LWEA") parcel tax is a critical turning point for addressing its reserve and liabilities. Between 2018 and 2021, \$50 million was withheld from SFUSD annually, totaling \$150 million. Rather than halt salary increases promised under LWEA, the District reduced planned expenditures to \$40.0 million per year and funded the \$120.0 million total expenses with a \$26.6 million loan from the City and \$93.4 million from the District's Rainy Day Reserve. As a result of prevailing in the lawsuit, SFUSD received a \$123.4 million payment of parcel tax revenue. Of these funds, \$30.0 million must be used for LWEA-eligible expenses and \$93.4 million reimburses the District for prior LWEA-eligible expenses and may be used for other priority purposes. The San Francisco Board of Education has expressed the intent to use the funds to restore \$40 million to a Rainy Day Reserve and use \$60 million to pre-fund OPEB

### ***Other Factors***

As it relates to future State Budgets, the District's ability to predict what actions will be taken in the future by the State Legislature and Governor to address the State's current or future budget and cash management practices is limited. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. Prospects for State funding are stable due to a sustained improvement in California's economy and the implementation of the Local Control Funding Formula which has provided increased funds to K-14 education under the Governor's budget. The State's approach to declining enrollment will impact SFUSD and other districts statewide.

The District's Superintendent and senior staff members will continue to work very closely with the Board of Education to monitor revenues and manage expenditures. SFUSD is fully committed to take whatever measures are necessary to maintain a strong and stable financial position. At the same time, the District will also continue its dedicated mission to ensure improvement in academic achievement, closing achievement gaps, improving its facilities, and meeting the priorities of the Board of Education and the San Francisco community. It is the District's goal to ensure that all children receive a quality education and a positive foundation necessary for them to achieve academic success and to prepare them for success in the twenty-first century.

## San Francisco Unified School District

Management's Discussion and Analysis

June 30, 2021

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### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to assist interested parties in understanding the District's sources and uses of resources. If you have questions about this report or need additional financial information, please contact Meghan Wallace, Chief Financial Officer of the San Francisco Unified School District, 135 Van Ness Avenue, San Francisco, California, 94102 or (415) 241-6542.

San Francisco Unified School District

Statement of Net Position

June 30, 2021

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	Governmental Activities
Assets	
Cash and investments	\$ 504,829,278
Receivables	157,150,756
Other assets	1,560,638
Capital assets	
Land and construction in progress	7,100,000
Other capital assets, net of depreciation	<u>1,900,643,439</u>
Total capital assets	<u>1,907,743,439</u>
Total assets	<u>2,571,284,111</u>
Deferred Outflows of Resources	
Deferred amounts on refunding	3,645,644
Deferred amounts related to OPEB	241,557,809
Deferred amounts related to pensions	<u>308,770,283</u>
Total deferred outflows of resources	<u>553,973,736</u>
Liabilities	
Accounts payable and accrued expenses	63,953,046
Overdrafts	4,936,895
Interest payable	1,726,292
Current loans	109,620,582
Unearned revenue	16,027,161
Claims liability	6,428,000
Long-term liabilities	
Due within one year	97,279,510
Due in more than one year	986,994,681
Claims liability	16,592,801
Net other post-employment benefits liability	1,012,295,819
Aggregate net pension liability	<u>942,536,683</u>
Total liabilities	<u>3,258,391,470</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	56,230,251
Deferred inflows of resources related to OPEB	<u>67,368,022</u>
Total deferred inflows of resources	<u>123,598,273</u>
Net position	
Net investment in capital assets	988,466,352
Restricted for	
Educational programs	96,154,656
Debt service	71,736,206
Capital projects	59,432,910
Self insurance	14,484,302
Unrestricted (deficit)	<u>(1,487,006,322)</u>
Total net position (deficit)	<u>\$ (256,731,896)</u>

San Francisco Unified School District

Statement of Activities

Year Ended June 30, 2021

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Functions/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Charges for Services and Sales		Operating Grants and Contributions	
	Expenses			
Governmental Activities				
Instruction	\$ 732,181,739	\$ 342,611	\$ 156,751,322	\$ (575,087,806)
Instruction related activities				
Supervision of instruction	141,791,571	160,479	68,611,184	(73,019,908)
Instructional library and technology	16,374,218	41,506	6,047,969	(10,284,743)
School site administration	91,504,314	22,899	15,218,756	(76,262,659)
Pupil services				
Home-to-school transportation	7,014,828	57	5,276,123	(1,738,648)
Food services	31,906,909	14,236	23,496,277	(8,396,396)
All other pupil services	111,070,107	100,496	36,167,943	(74,801,668)
General administration				
Data processing	29,830,602	54,114	6,632,985	(23,143,503)
All other general administration	44,854,130	25,077	7,504,574	(37,324,479)
Plant services	75,061,459	8,165	13,111,338	(61,941,956)
Ancillary services	3,873,945	587,184	1,445,186	(1,841,575)
Other outgo	1,417,681	5,066	5,411,676	3,999,061
Interest on long-term obligations	13,683,419	-	-	(13,683,419)
Total governmental activities	<u>\$ 1,300,564,922</u>	<u>\$ 1,361,890</u>	<u>\$ 345,675,333</u>	<u>(953,527,699)</u>
General revenues and subventions				
Property taxes, levied for general purposes				333,589,045
Property taxes, levied for debt service				189,401,018
Taxes levied for other specific purposes				112,797,844
Federal and state aid not restricted to specific purposes				306,944,868
Interest and investment earnings				3,091,364
Interagency revenue				26,996,021
Miscellaneous				32,711,387
Subtotal, general revenues				<u>1,005,531,547</u>
Change in Net Position				<u>52,003,848</u>
Net Position (deficit) - Beginning, as restated				<u>(308,735,744)</u>
Net Position (deficit) - Ending				<u>\$ (256,731,896)</u>

San Francisco Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2021

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	General Fund	County School Service Fund	Building Fund	Capital Facilities Fund	Bond Interest And Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 151,247,778	\$ 460,382	\$ 164,566,284	\$ 35,856,565	\$ 73,361,235	\$ 36,115,852	\$ 461,608,096
Receivables	123,464,681	18,258,401	104,745	21,541	67,966	15,209,598	157,126,932
Prepaid expenditures	154,653	-	-	-	-	-	154,653
Stores inventories	1,373,097	-	-	-	-	32,888	1,405,985
<b>Total assets</b>	<b>\$ 276,240,209</b>	<b>\$ 18,718,783</b>	<b>\$ 164,671,029</b>	<b>\$ 35,878,106</b>	<b>\$ 73,429,201</b>	<b>\$ 51,358,338</b>	<b>\$ 620,295,666</b>
<b>Liabilities and Fund Liabilities</b>							
Overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,936,895	\$ 4,936,895
Accounts payable	33,882,582	5,741,111	18,382,625	454,252	-	5,159,848	63,620,418
Current loans	100,620,582	9,000,000	-	-	-	-	109,620,582
Unearned revenue	15,515,010	164,857	-	-	-	347,294	16,027,161
<b>Total liabilities</b>	<b>150,018,174</b>	<b>14,905,968</b>	<b>18,382,625</b>	<b>454,252</b>	<b>-</b>	<b>10,444,037</b>	<b>194,205,056</b>
<b>Fund Balances</b>							
Nonspendable	1,528,250	-	-	-	-	37,738	1,565,988
Restricted	84,963,542	722,985	146,288,404	10,032,132	73,429,201	34,510,482	349,946,746
Committed	-	3,089,830	-	-	-	6,366,081	9,455,911
Assigned	-	-	-	25,391,722	-	-	25,391,722
Unassigned	39,730,243	-	-	-	-	-	39,730,243
<b>Total Fund Balances</b>	<b>126,222,035</b>	<b>3,812,815</b>	<b>146,288,404</b>	<b>35,423,854</b>	<b>73,429,201</b>	<b>40,914,301</b>	<b>426,090,610</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 276,240,209</b>	<b>\$ 18,718,783</b>	<b>\$ 164,671,029</b>	<b>\$ 35,878,106</b>	<b>\$ 73,429,201</b>	<b>\$ 51,358,338</b>	<b>\$ 620,295,666</b>

San Francisco Unified School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2021

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Amounts reported for governmental funds in the statement of net position are different from the amounts reported in the fund level statements because of these items

Total fund balance - governmental funds	\$ 426,090,610
-----------------------------------------	----------------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	\$ 2,672,551,198
Accumulated depreciation is	<u>(764,807,759)</u>

Net capital assets	1,907,743,439
--------------------	---------------

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. In the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.

	(1,726,292)
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An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

	19,891,577
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Unamortized deferred charge on refunding is recognized as a deferred outflow on the statement of net position. The deferred charges are recognized in the governmental funds when they were paid.

	3,645,644
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Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year end consist of the following items

General obligation bonds and premium	(1,067,675,474)
Capital leases	(1,535,661)
Compensated absences (vacations)	(15,063,056)
Aggregate net pension liability net of deferrals	(689,996,651)
Net other post-employment benefits liability net of deferrals	<u>(838,106,032)</u>
Total long-term liabilities	(2,612,376,874)

Total net position - governmental activities	<u>\$ (256,731,896)</u>
----------------------------------------------	-------------------------

**San Francisco Unified School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2021**

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	General Fund	County School Service Fund	Building Fund	Capital Facilities Fund	Bond Interest Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Local control funding formula	\$ 531,948,014	\$ 46,778,550	\$ -	\$ -	\$ -	\$ -	\$ 578,726,564
Federal sources	70,800,944	14,234,243	-	-	-	27,621,188	112,656,375
Other state sources	114,800,591	8,645,743	-	-	274,425	32,352,920	156,073,679
Local sources	271,242,940	27,407,001	1,364,781	6,724,087	139,837,340	24,878,827	471,454,976
<b>Total Revenues</b>	<b>988,792,489</b>	<b>97,065,537</b>	<b>1,364,781</b>	<b>6,724,087</b>	<b>140,111,765</b>	<b>84,852,935</b>	<b>1,318,911,594</b>
<b>Expenditures</b>							
Current							
Instruction	530,700,151	51,609,668	-	-	-	25,609,725	607,919,544
Instruction related activities:							
Supervision of instruction	96,299,395	12,874,416	-	-	-	8,643,576	117,817,387
Instructional library and technology	12,625,277	197,803	-	-	-	-	12,823,080
School site administration	56,592,352	1,300,297	-	-	-	5,136,140	63,028,789
Pupil Services							
Home-to-school transportation	6,183,010	10,460	-	-	-	-	6,193,470
Food services	-	-	-	-	-	26,289,746	26,289,746
All other pupil services	67,195,555	32,590,661	-	-	-	160,041	99,946,257
General administration							
Data processing	25,929,715	264,566	-	-	-	-	26,194,281
All other general administration	38,897,962	2,219,125	-	-	-	1,941,961	43,059,048
Plant services	65,148,313	620,349	-	-	-	898,872	66,667,534
Ancillary services	2,078,511	-	-	-	-	1,089,910	3,168,421
Other outgo	844,826	-	-	-	-	-	844,826
Capital outlay	7,053,419	172,100	158,712,960	6,172,400	-	15,784,221	187,895,100
Debt service							
Principal	-	-	-	-	123,060,000	2,751,755	125,811,755
Interest and other	-	-	-	-	41,156,269	225,015	41,381,284
<b>Total Expenditures</b>	<b>909,548,486</b>	<b>101,859,445</b>	<b>158,712,960</b>	<b>6,172,400</b>	<b>164,216,269</b>	<b>88,530,962</b>	<b>1,429,040,522</b>
Excess (Deficiency) of Revenues Over Expenditures	79,244,003	(4,793,908)	(157,348,179)	551,687	(24,104,504)	(3,678,027)	(110,128,928)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	6,532,927	-	-	15,804,075	22,337,002
Proceeds from the sale of bonds	-	-	280,000,000	-	226,967,545	-	506,967,545
Transfers out	(15,804,075)	-	-	-	-	(6,532,927)	(22,337,002)
Payments to escrow agent	-	-	-	-	(186,745,000)	-	(186,745,000)
<b>Net Financing Sources (Uses)</b>	<b>(15,804,075)</b>	<b>-</b>	<b>286,532,927</b>	<b>-</b>	<b>40,222,545</b>	<b>9,271,148</b>	<b>320,222,545</b>
Net change in Fund Balances	63,439,928	(4,793,908)	129,184,748	551,687	16,118,041	5,593,121	210,093,617
Fund Balance - Beginning, as restated	62,782,107	8,606,723	17,103,656	34,872,167	57,311,160	35,321,180	215,996,993
<b>Fund Balance - Ending</b>	<b>\$ 126,222,035</b>	<b>\$ 3,812,815</b>	<b>\$ 146,288,404</b>	<b>\$ 35,423,854</b>	<b>\$ 73,429,201</b>	<b>\$ 40,914,301</b>	<b>\$ 426,090,610</b>

San Francisco Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

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

Total net change in fund balances - governmental funds	\$ 210,093,617
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities those costs are capitalized in the statement of net position as property and equipment. The cost is allocated over the estimated useful life of the asset as depreciation expense in the statement of activities.

This is the amount by which capitalized capital outlays exceed depreciation in the current period.

Capital asset additions - current year	\$ 188,361,016
Less current year depreciation expense	<u>(64,763,870)</u>
	123,597,146

---

Repayment of capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

2,751,755

Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

(136,480,000)

Amortization of bond premium is a revenue source in the statement of activities, but is not recognized in the governmental funds.

(33,661,111)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid).

(1,416,750)

In the governmental funds, OPEB costs are based on employer medical insurance premiums paid. However, in the full-accrual statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and total actuarially determined OPEB liability during the year.

(66,477,264)

San Francisco Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2021

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Amortization of deferred charges on refunding reduces deferred balance in the statement of net position and is recorded in the statement of activities as an expense, but does not affect the governmental funds.

\$ 1,544,402

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest expense reported in the statement of activities is the result of this difference.

(47,541)

In the governmental funds, pension costs are based on employer contributions made to CalSTRS and SFERS during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and the actuarially determined net pension liability during the year.

(58,586,928)

An internal service fund is used by the District's management to charge the costs of the self insurance programs to the individual funds and to accumulate resources for post-employment medical benefits. The increase in net position of the internal service fund is not reported in the governmental funds, but is reported in the statement of activities.

10,686,522

Change in net position of governmental activities

\$ 52,003,848

San Francisco Unified School District  
 Statement of Net Position – Proprietary Funds  
 June 30, 2021

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	Governmental Activities Internal Service Fund
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash deposits	\$ 3,560,833
Investments	<u>39,660,349</u>
Total cash and investments	\$ 43,221,182
Interest receivables	<u>23,824</u>
Total assets	<u>43,245,006</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	332,628
Current portion of the claims liability	6,428,000
Noncurrent liabilities	
Claims liability	<u>16,592,801</u>
Total Liabilities	<u>23,353,429</u>
<b>Net Position</b>	
<b>Restricted for self-insurance</b>	14,484,302
Unrestricted	<u>5,407,275</u>
Total Net Position	<u>\$ 19,891,577</u>

San Francisco Unified School District  
 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
 Year Ended June 30, 2021

---

	<u>Governmental Activities Internal Service Fund</u>
<b>Operating Revenues</b>	
In-district premiums	\$ 21,369,387
Other local revenue	<u>5,083,805</u>
<b>Total operating revenues</b>	<b><u>26,453,192</u></b>
<b>Operating Expenses</b>	
Payroll costs	1,241,540
Claims expense	<u>14,804,827</u>
<b>Total operating expenses</b>	<b><u>16,046,367</u></b>
<b>Net operating income</b>	<b><u>10,406,825</u></b>
<b>Nonoperating Revenues</b>	
Interest income	<u>279,697</u>
<b>Total nonoperating revenues</b>	<b><u>279,697</u></b>
<b>Change in Net Position</b>	<b>10,686,522</b>
Net Position - Beginning	<u>9,205,055</u>
<b>Net Position - Ending</b>	<b><u>\$ 19,891,577</u></b>

**San Francisco Unified School District**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended June 30, 2021**

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	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities	
Cash received from Intra-District charges	\$ 26,453,192
Cash payments for insurance claims	(20,530,091)
Cash payments for payroll expense	(1,584,687)
Net cash used for operating activities	<u>4,338,414</u>
Cash Flows from Investing Activities	
Interest on investments	437,350
Net cash provided by investing activities	<u>437,350</u>
Net increase in cash and cash equivalents	4,775,764
Cash and cash equivalents - Beginning of year	38,445,418
Cash and cash equivalents - End of year	<u>\$ 43,221,182</u>
Reconciliation of Operating Profit to Net	
Cash Used for Operating Activities	
Operating income	\$ 10,406,825
Decrease in accrued liabilities and interfund balances	(6,068,411)
Net cash provided by operating activities	<u>\$ 4,338,414</u>

San Francisco Unified School District  
Statement of Fiduciary Net Position – Fiduciary Funds  
June 30, 2021

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	<u>Custodial Fund</u>
Assets	
Investments	\$ 2,115,706
Receivables	49,063
Total Assets	<u>\$ 2,164,769</u>
Liabilities	
Salaries and benefits payable	\$ 1,860,180
Vendor payables	302,783
Total Liabilities	<u>2,162,963</u>
Net Position	
Restricted for payroll benefits and taxes	1,806
Total Net Position	<u>\$ 1,806</u>

San Francisco Unified School District  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
June 30, 2021

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	<u>Custodial Funds</u>
Additions	
Payroll withholdings	\$ 70,934,742
Investment income	<u>1,806</u>
Total additions	<u>70,936,548</u>
Deductions	
Payroll benefits and taxes	<u>70,934,742</u>
Change in Net Position	<u>1,806</u>
Net Position - Beginning, as restated	-
Net Position - Ending	<u>\$ 1,806</u>

# San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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## Note 1 - Summary of Significant Accounting Policies

### Financial Reporting Entity

The San Francisco Unified School District (the District) was established as the San Francisco School System in 1851 under the laws of the State of California. The District and County Office of Education (COE) operate under a locally-elected seven-member Board form of government and provide educational services to grades K - 12 as mandated by state and federal agencies. The District and COE provide child care, elementary and secondary education in the City and County of San Francisco, California. The District operates 8 alternatively configured (TK-8), 64 elementary schools, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), 8 court and county community schools, 34 state-funded preschool sites, and 12 early education centers. The District sponsors 14 independent charter schools.

For financial reporting purposes, the District includes all funds, account groups, agencies, and authorities that are controlled by or are dependent on the District's executive or legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

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, boards, and agencies that are not legally separate from the District. This includes general operations, food service and student related activities of the District and the COE.

### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may 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 District Financing Corporation (Financing Corporation) component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus is included in the financial statements using the blended presentation method as if it were part of the District's operations. The governing board of the Financing Corporation is the same as the governing board of the District. The Financing Corporation does not issue separate financial statements.

# San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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## Other Related Entities

**Charter Schools** The District has approved charters for City Arts and Technology High School, Creative Arts Charter School, Five Keys Charter School, Five Keys Adult School, Five Keys Independence High School, Gateway High School, Gateway Middle School, KIPP Bayview Academy, KIPP San Francisco Bay Academy, KIPP San Francisco College Preparatory, Leadership High School, Life Learning Academy, Mission Preparatory, and Thomas Edison Charter Academy pursuant to Education Code Section 47605. The charter schools are sponsored by the District but operate independently. Their financial activity is not presented in the District's financial statements except for the pass-through of state aid and property tax revenues.

## Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Major Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

**General Fund** The general fund is the chief operating fund and is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

**County School Service Special Revenue Fund** The county school service special revenue fund is used to account for resources committed to special education or other school programs that would otherwise be operated by a county office of education, as well as to general and administrative oversight.

**Building Fund** The building fund exists primarily to account separately for proceeds from the sale of general obligation bonds (*Education Code* Section 15146). The expenditures reported in this fund are restricted to capital outlays authorized for the purpose for which the related general obligation bonds were issued.

**Capital Facilities Fund** The capital facilities fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

**Bond Interest and Redemption Fund** The bond interest and redemption fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

# San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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## Nonmajor Governmental Funds

**Special Revenue Funds** The special revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The student activity fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Cafeteria Fund** The cafeteria fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Child Development Fund** The child development fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Deferred Maintenance Fund** The deferred maintenance fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

**Debt Service Funds** The debt service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term liabilities.

- **Tax Override Fund** The tax override fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

**Capital Projects Funds** The capital project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Special Reserve Fund for Capital Outlay Projects** The special reserve fund for capital outlay projects exists primarily to provide for the accumulation of general fund monies for capital outlay purposes (*Education Code* Section 42840).
- **County School Facilities Fund** The county school facilities 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), the 2004 State School Facilities Fund (Proposition 55) or the 2006 State Schools Facilities Fund (Proposition 1D) 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.).

# San Francisco Unified School District

## Notes to Financial Statements

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- **Mello-Roos Capital Projects Fund** This fund is used to account for capital projects financed by mello-roos community facilities districts and similar entities that are considered blended component units of the District. 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). This fund reports the financial activity of the 2010 Proposition A School Facilities Special Tax, the 1990 School Facilities Special Tax, and ADA capital improvements.

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. The District reports self-insurance related activity in such a fund.

- **Self-Insurance Internal Service Fund** Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance fund for its workers’ compensation, dental, and other post-employment retiree benefits self-insurance programs.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District’s own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. Private-purpose trust funds are accounted for as a restricted component of the General Fund. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District’s reporting entity. The District maintains the following custodial fund:

- **Payroll Revolving Custodial Fund** The payroll revolving fund is used to account for assets held for external charter school employees for payroll withholding for subsequent remittance to taxing agencies or benefit providers.

## Basis of Accounting - Measurement Focus

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

## San Francisco Unified School District

### Notes to Financial Statements

June 30, 2021

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The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. 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 the 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 governmental function is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position is reported as restricted when constraints 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.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the way the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements, prepared on the accrual basis of accounting using the economic resources measurement focus, and the governmental fund statements, prepared on the modified accrual basis of accounting and using the flow of current financial resources measurement focus.
- **Proprietary Funds** Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

## San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**Revenues - Exchange and Non-exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end. To achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

**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. However, principal and interest on general long-term liabilities are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

### Cash and Deposits

The District's cash and deposits are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents include cash with county treasury balances for purposes of the statement of cash flows.

### Investments

Investments are stated at fair value. Fair value is estimated based on quoted market price at year-end. Investments consist of cash deposits with the City and County of San Francisco Treasury Investment Pool.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### **Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost on weighted average basis. The cost of using inventory items is recorded as expenditures when used in the governmental funds.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$25,000. The District does not possess any infrastructure. 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 but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### **Compensated Absences**

Full-time District employees are entitled to 10-20 vacation days a year, depending upon length of service, for which up to 30 working days in excess of the employee's annual vacation award may be carried over to the next year. Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. The amounts are reported in the fund from which the employees who have accumulated leave are paid.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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The following tables shows the changes in compensated absences during the fiscal year:

Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in one year
13,646	4,549	(3,132)	15,063	3,013

**Certificated** Sick leave is accumulated without limit for each eligible employee at the rate of one unit for each month worked. Leave with pay is provided when employees are absent from reasons as stated in the various contracts. Employees who are retiring receive service credit for unused sick leave and employees transferring to other public school districts can have their sick leave accrual forwarded to the new district. Employees who resign or are terminated do not get paid for unused sick leave accruals.

**Instructional Aides** Sick leave is accumulated at a rate of 0.05 times the number of regularly scheduled worked hours. Leave with pay is provided when employees are absent for reasons stated in the contract. Employees who are retiring receive payment for unused sick hours with a value of over \$200 and those hours are transferred to the school district's third-party vendor for payment into a 403(b) account in compliance with all applicable rules and regulations. Employees may accumulate unused sick leave up to a maximum of 1,040 hours.

**Classified** Sick leave is accumulated at a rate of 0.05 times the number of regularly scheduled worked hours. Leave with pay is provided when employees are absent for reasons as stated in the various contracts. Employees may accumulate unused sick leave up to the maximum of 1,040 hours.

## Accrued Liabilities and Long-term Liabilities

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

However, claims and judgments compensated absences, special termination benefits and contractually required pension contributions 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. Long-term liabilities are not recognized as liabilities in governmental funds but are disclosed in the notes to financial statements. Debt service expenditures, including principal and interest on bonds and capital leases, are recognized as expenditures in governmental funds when paid.

## Current Loans

Current loans consist of amounts outstanding at year end for Tax Revenue and Anticipation Notes. The notes were issued as short-term liabilities to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the San Francisco Public Employees' Retirement System (SFERS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and SFERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan fiduciary net position have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

### **Fund Balances - Governmental Funds**

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's policy, only the governing board or chief financial officer or designee, may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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 assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of the assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

### **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.

### Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The City and County of San Francisco bills and collects the taxes in behalf of the District. Local property tax revenues are recorded when received.

### Change in Accounting Principles

**GASB Statement No. 84** – As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements and this Statement enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position (deficit) is disclosed in Note 17.

### New Accounting Pronouncements – Effective in Future Fiscal Years

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2020, or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 89** – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

## San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 92** – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except for Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The District is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 94** – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 96** – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

# San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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## Note 2 - Cash and Investments

### Summary of Cash and Investments

Deposits and investments on June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 461,608,096
Less deficit cash (overdraft)	<u>(4,936,895)</u>
Governmental funds	\$ 456,671,201
Proprietary fund	43,221,182
Fiduciary funds	2,115,706
 Total Deposits and Investments	 <u>\$ 502,008,089</u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 7,646,682
Deposits with county treasurer	494,361,407
 Total Deposits and Investments	 <u>\$ 502,008,089</u>

### Policies and Practices

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

**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 the county treasurer (*Education Code Section 41001*). The fair value of the District's investment in the treasury pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of amortized cost which approximates 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 City and County of San Francisco Treasurer, which is recorded on the amortized cost basis.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### **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 City and County of San Francisco Treasury Investment Pool. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 561 days on June 30, 2021.

### **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 investment in the county pool is not rated as of June 30, 2021.

### **Custodial Credit Risk - Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, the District's bank balance of \$6.8 million 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.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data.

Uncategorized - Deposits and withdrawals in the City and County of San Francisco Treasury Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the District's investments with the pool at June 30, 2021 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**Note 3 - Receivables**

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Service Fund	Building Fund	Capital Facilities Fund
Federal sources	\$ 5,710,030	\$ 15,069,199	\$ -	\$ -
State sources	95,905,441	3,189,202	-	-
Local sources	21,758,724	-	-	-
Investments	90,486	-	104,745	21,541
<b>Total</b>	<b>\$ 123,464,681</b>	<b>\$ 18,258,401</b>	<b>\$ 104,745</b>	<b>\$ 21,541</b>

	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal sources	\$ -	\$ 1,913,102	\$ 29,340,579	\$ -
State sources	-	1,588,633	100,683,276	-
Local sources	-	5,059,615	26,818,339	-
Investments	67,966	-	284,738	23,824
<b>Total</b>	<b>\$ 67,966</b>	<b>\$ 8,561,350</b>	<b>\$ 157,126,932</b>	<b>\$ 23,824</b>

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Balance June 30, 2021
<b>Governmental Activities</b>			
Capital assets not depreciated			
Land	\$ 7,100,000	\$ -	\$ 7,100,000
Capital assets being depreciated			
Buildings and improvements	2,425,205,215	187,882,569	2,613,087,784
Furniture and equipment	51,884,967	478,447	52,363,414
Total capital assets	<u>2,484,190,182</u>	<u>188,361,016</u>	<u>2,672,551,198</u>
Less accumulated depreciation			
Buildings and improvements	(654,671,900)	(62,802,622)	(717,474,522)
Furniture and equipment	(45,371,989)	(1,961,248)	(47,333,237)
Total accumulated depreciation	<u>(700,043,889)</u>	<u>(64,763,870)</u>	<u>(764,807,759)</u>
Governmental activities - capital assets, net	<u>\$ 1,784,146,293</u>	<u>\$ 123,597,146</u>	<u>\$ 1,907,743,439</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

**Governmental Activities**

Instruction	\$ 35,874,140
Supervision of instruction	7,317,268
Instructional library and technology	796,401
School site administration	3,914,520
Home to school transportation	384,657
Food services	1,749,610
All other pupil services	6,090,511
Ancillary services	196,781
All general administration	2,672,627
Data processing services	1,626,844
Plant services	4,140,511
 Total depreciation expense, governmental activities	<u>\$ 64,763,870</u>

# San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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## Note 5 - Interfund Transactions

### Interfund Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2021, interfund transfers consisted of \$84.0 million as follows:

- The general fund transferred \$5.2 million to the child development fund to cover its operating deficit.
- The general fund transferred \$3.6 million to the cafeteria fund to cover its operating deficit.
- The general fund transferred \$4.0 million to the deferred maintenance fund for maintenance and repairs.
- The county school facilities fund transferred \$5.7 million to the building fund for ongoing construction projects.
- The mello-roos capital project fund transferred \$876 thousand to the building fund for ongoing construction.
- The general fund transferred \$3.0 million to the special reserve capital fund for the energy retrofit capital lease payments.

### Exchange Transactions

Included as other local sources in the statement of revenues, expenditures, and changes in fund balances of the county school service special revenue fund is \$27.0 million, of which the source is the general fund. This represents general fund expenditures incurred primarily in support of special education and other county office of education functions.

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**Note 6 - Accounts Payable and Other Current Liabilities**

Accounts payable and other current liabilities at June 30, 2021, consisted of the following:

	General Fund	County School Service Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Trade payables	\$ 22,784,419	\$ 5,571,799	\$ 18,382,625	\$ 454,252	\$ 3,904,432	\$ 51,097,527
State government	4,854,249	83,622	-	-	76,086	5,013,957
Local government	20,081	-	-	-	1,179,330	1,199,411
Salaries and benefits	4,723,833	85,690	-	-	-	4,809,523
Claims reserve	1,500,000	-	-	-	-	1,500,000
<b>Total</b>	<b>\$ 33,882,582</b>	<b>\$ 5,741,111</b>	<b>\$ 18,382,625</b>	<b>\$ 454,252</b>	<b>\$ 5,159,848</b>	<b>\$ 63,620,418</b>

Additional interest payable in the statement of net position includes \$1,678,751 for accrued interest on long term liabilities.

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	County School ServiceFund	Nonmajor Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 6,168,826	\$ 143,643	\$ -	\$ 6,312,469
State categorical aid	8,744,268	21,214	-	8,765,482
School facilities apportionment	-	-	347,294	347,294
Other local	601,916	-	-	601,916
<b>Total</b>	<b>\$ 15,515,010</b>	<b>\$ 164,857</b>	<b>\$ 347,294</b>	<b>\$ 16,027,161</b>

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**Note 8 - Tax and Revenue Anticipation Notes**

On February 23, 2021, the District issued \$100 million of Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. Interest and principal shall be due and payable on December 31, 2021. By November 30, 2021, the District will place 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The notes outstanding are summarized as follows:

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	Outstanding <u>June 30, 2020</u>	Additions	Payments	Outstanding <u>June 30, 2021</u>
2/23/2021	2.00%	12/31/2021	\$ -	\$ 100,000,000	\$ -	\$ 100,000,000

As of June 30, 2021, the District has accrued \$620,582 in interest payable.

**Note 9 - Long-Term Debt**

**Summary**

The changes in the District's long-term debt during the year consisted of the following (in thousands):

	Balance <u>July 1, 2020</u>	Additions	Deductions	Balance <u>June 30, 2021</u>	Due in one year
	July 1, 2020			June 30, 2021	
General obligation bonds	\$ 833,320	\$ 446,285	\$ (309,805)	\$ 969,800	\$ 84,025
Bond premiums	64,214	60,682	(27,021)	97,875	10,242
Capital leases	4,287	-	(2,751)	1,536	1,536
	<u>\$ 901,821</u>	<u>\$ 506,967</u>	<u>\$ (339,577)</u>	<u>\$ 1,069,211</u>	<u>\$ 95,803</u>

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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Payment of the general obligation bonds will be made by the bond interest and redemption fund, using property tax revenues collected repayment of principal and interest on these obligations. Payments on capital leases will be made by the special reserve capital fund, which receives contributions from the general fund.

**Outstanding General Obligation Bonded Debt**

Bond Issuance	Issue Date	Maturity Date	Interest Rate	Original Issue	Issued			(Redeemed/ Defeased)	June 30, 2021
					June 30, 2020				
2006, Series 2007A	02/28/07	6/15/27	3.00-5.00%	\$ 100,000	\$ 27,820	\$ (27,820)	\$ -		
2006, Series 2010C	05/19/10	5/15/27	5.74%	12,955	12,955			-	12,955
2006, Series 2010D	05/19/10	6/15/30	5.74%	72,370	72,370			-	72,370
2006, Series 2010E	05/19/10	6/15/23	0.50-5.00%	99,675	29,175	(29,175)			
2011, Series 2012A	03/06/12	6/15/32	4.00-5.00%	115,000	80,540	(80,540)			
2012 Refunding	03/06/12	6/15/25	0.30-5.00%	116,140	49,210	(49,210)			
2011, Series 2014B	01/23/14	6/15/33	3.0%-5.0%	205,000	152,740	(8,890)		143,850	
2006, Series 2015F	10/08/15	6/15/35	3.0%-5.0%	15,000	12,485	(610)		11,875	
2011, Series 2015C	10/08/15	6/15/35	3.0%-5.0%	211,000	175,530	(8,580)		166,950	
2015 Refunding	10/08/15	6/15/26	2.0%-5.0%	63,655	36,270	(8,430)		27,840	
2016, Series 2016A	03/17/17	6/15/24	2.0%-5.0%	180,000	140,945	(5,650)		135,295	
2017 Refunding	03/17/17	6/15/37	2.0%-5.0%	53,890	43,280	(10,110)		33,170	
2016, Series 2020B	08/20/20	6/15/40	0.18-4.0%	280,000	-	225,915		225,915	
2020 Refunding	08/20/20	6/15/32	4.00%	166,285	-	139,580		139,580	
					\$ 833,320	\$ 136,480		969,800	
					Unamortized bond premium			97,875	
					Total			\$ 1,067,675	

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**Debt Service Requirement to Maturity**

Fiscal Year	Interest to Maturity			Total
	Principal			
2022	\$ 84,025	\$ 40,284	\$ 124,309	
2023	78,760	36,886	115,646	
2024	82,660	33,278	115,938	
2025	70,735	29,368	100,103	
2026	65,545	26,162	91,707	
2026-2030	304,700	88,810	393,510	
2031-2035	211,435	33,623	245,058	
2036-2037	71,940	5,024	76,964	
Total	<u>\$ 969,800</u>	<u>\$ 293,435</u>	<u>\$ 1,263,235</u>	

**Debt Refunding**

On August 20, 2020, the District issued \$166,285,000 million in general obligation bonds with an interest rate of 4.0 percent to advance refund \$186,745,000 million of Proposition A, Election of 2006 and Election of 2007, and the 2012 Refunding Bonds with an interest rate range of 0.3 percent to 5.74 percent. The net proceeds of \$188,942,152 (including premiums and other sources of \$23,241,018 and costs of issuance of \$583,866) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on certain of the Refunded Bonds. As a result, the refunded portion of the bonds are considered to be defeased and the liability for the defeased bonds is not reported on the statement of net position.

The advance refunding resulted in a difference between the reacquisition price of the new debt (\$188,942,152 placed with the escrow agent) and the net carrying amount of the old debt (\$203,524,924 of bond principal and unamortized bond premiums) in the amount of \$14,582,772. The advance refunding decreases the total debt service payments, inclusive of principal and interest, over the next 12 years by \$27,304,835 and results in an economic gain (difference between the present values of the old and new debt service payments) of \$20,513,904.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### Capital Leases

Reported with capital assets is the energy retrofit capital lease of \$1.5 million and corresponding accumulated depreciation of \$1.0 million at June 30, 2021. The District's liabilities on lease agreements with options to purchase are summarized below (in thousands):

		<u>Energy Retrofit</u>
Balance, Beginning of Year		\$ 4,287
Payments		<u>(2,751)</u>
Balance, End of Year		<u><u>\$ 1,536</u></u>

The capital lease has minimum lease payments as follows (in thousands):

<u>Year Ending</u>	<u>Lease Payment</u>
<u>June 30,</u>	
2022	<u>1,583</u>
Total	<u>1,583</u>
Less Amount Representing Interest	<u>47</u>
Present Value of Minimum Lease Payments	<u><u>\$ 1,536</u></u>

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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**Note 10 - Components of Fund Balances and Net Position of the Self-Insurance Fund (in Thousands)**

Fund balances are composed of the following elements on June 30, 2021:

	General Fund	County Service Fund	School Building Fund	Capital Facilities Fund	Bond		Nonmajor Governmental Funds	Total Governmental Funds
					Interest and Redemption Fund	Governmental Funds		
<b>Nonspendable</b>								
Revolving cash	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 6	
Stores inventories	1,373	-	-	-	-	33	1,406	
Prepaid expenditures	155	-	-	-	-	-	155	
<b>Total nonspendable</b>	<b>1,529</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>1,567</b>	
<b>Restricted</b>								
Purpose of grant	28,404	723	-	-	-	6,651	35,778	
QTEA programs	3,927	-	-	-	-	-	3,927	
LWEA programs	7,153	-	-	-	-	-	7,153	
PEEF programs	13,120	-	-	-	-	-	13,120	
local programs	32,359	-	-	-	-	-	32,359	
Capital projects	-	-	146,288	9,512	-	24,009	179,809	
Debt services	-	-	-	-	73,429	33	73,462	
<b>Total restricted</b>	<b>84,963</b>	<b>723</b>	<b>146,288</b>	<b>9,512</b>	<b>73,429</b>	<b>30,693</b>	<b>345,608</b>	
<b>Committed</b>								
Capital projects	-	-	-	-	-	6,366	6,366	
Special education	-	3,090	-	-	-	-	3,090	
<b>Total committed</b>	<b>-</b>	<b>3,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,366</b>	<b>9,456</b>	
<b>Assigned</b>								
Capital projects	-	-	-	25,912	-	-	25,912	
<b>Total assigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,912</b>	<b>-</b>	<b>-</b>	<b>25,912</b>	
<b>Unassigned</b>								
Reserve for economic uncertainties	39,730	-	-	-	-	-	39,730	
<b>Total unassigned</b>	<b>39,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,730</b>	
<b>Total fund balances</b>	<b>\$ 126,222</b>	<b>\$ 3,813</b>	<b>\$ 146,288</b>	<b>\$ 35,424</b>	<b>\$ 73,429</b>	<b>\$ 37,097</b>	<b>\$ 422,273</b>	

San Francisco Unified School District

Notes to Financial Statements

June 30, 2021

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The following is a reconciliation of the difference between the unassigned general fund balance and the unrestricted net deficit reported in the statement of net position (in thousands):

Balance per governmental funds balance sheet	\$ 39,730
<b>Add Back</b>	
County school fund committed fund balance	3,090
Total revolving cash	5
General fund prepaid operating expenditures	155
General fund inventory	1,406
Deferred maintenance fund committed fund balance	6,366
Resources earmarked for post-employment benefits which are reported in the self-insurance fund	5,074
Remaining unrestricted portion of self-insurance fund net position	333
<b>Deduct</b>	
Compensated absences liability	(15,063)
Aggregate net pension liability and related deferrals	(689,997)
Other post employment benefits liability and related deferrals	(838,106)
Balance per statement of net position	<u><u>\$ (1,487,007)</u></u>

Net position of the self-insurance fund is comprised of the following components as of June 30, 2021 (in thousands):

Restricted	
Self-insurance programs	\$ 14,341
Insurance settlements	143
Total restricted	<u><u>14,484</u></u>
Unrestricted	
Earmarked for	
Post-employment benefits (OPEB)	5,074
Post-employment benefits (PARS)	284
Remaining unrestricted net position	50
Total unrestricted	<u><u>5,408</u></u>
Total net position	<u><u>\$ 19,892</u></u>

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### Note 11 - Lease Revenues (in Thousands)

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lease, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2022	6,736
2023	6,847
2024	6,836
2025	7,003
2026	6,444
Thereafter	9,745
Total	<u>\$ 43,611</u>

### Note 12 - Net Other Postemployment Healthcare Benefit (OPEB) Liability

As of June 30, 2021 the District reported the following amounts for net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
<u>\$ 1,012,295,819</u>	<u>\$ 241,557,809</u>	<u>\$ 67,368,022</u>	<u>\$ 103,249,987</u>

### General Information About the OPEB Plan

#### Plan Description

The San Francisco Unified School District Other Postemployment Benefit Plan (Plan) is an agent multiple-employer (agent) defined benefit healthcare plan administered by the City and County of San Francisco Health Service System (HSS). The Plan provides medical insurance benefits to eligible retirees and their spouses. HSS is responsible for designing health care benefits, selecting and managing plan providers, and determining some aspects of benefit eligibility to supplement the eligibility rules contained in the City Charter and applicable ordinances. In addition, HSS is responsible for administration of health care benefits, including maintaining employee membership and financial accounting records.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. To be eligible for retiree health benefits, employees hired after January 9, 2009 must have at least five years of credited service with a City employer: City and County of San Francisco, San Francisco Unified School District, San Francisco Community College District, or San Francisco Superior Court. Other government service is not credited.

Employees must retire within 180 days of separation from employment to be eligible for retiree health benefits. That means an employee must have the credited service and the age required for retirement at the time of separation from service to be eligible for retiree health benefits. A surviving dependent may be eligible for retiree health benefits if a deceased employee accrued 10 or more years of credited service with City employers.

Different premium contribution rates apply for *classified* employees hired after January 9, 2009, based on years of credited service with the City employers.

- With at least 5 years, but less than 10 years of credited service, the retiree member must pay the full premium rate and does not receive any employer premium contribution.
- With at least 10 years but less, than 15 years of credited service, the retiree will receive 50% of the employer premium contribution for themselves and eligible dependents.
- With at least 15 years, but less than 20 years of credited service, the retiree will receive 75% of the employer premium contribution for themselves and eligible dependents.
- With 20 or more years of credited service or disability retirement, the retiree will receive 100% of the employer premium contribution for themselves and eligible dependents.

*Certificated* teachers hired after July 1, 2004, with 20 or more years of credited service or disability retirement, the retiree will receive 100% of the employer premium contribution for themselves and eligible dependents.

Paraprofessionals hired after July 1, 2004, with 10 or more years of credited service or disability retirement, the retiree will receive 100% of the employer premium contribution for themselves and eligible dependents.

Employees who separated service from a City employer before June 30, 2001 and retire after January 6, 2012 receive the employer health premium subsidies in effect at the time of their separation. The retiree member receives 100% of the employer premium contribution defined by the City Charter. The retiree pays the full premium for any other enrolled dependents.

### Employees Covered by Benefit Terms

As of the June 30, 2020 measurement date, the benefit terms covered the following employees:

Inactive employees or beneficiaries currently receiving benefits payments	4,963
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	8,227
	<hr/> <hr/> <hr/> <hr/>
	13,190

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### **Net OPEB Liability of the District**

The District's net OPEB liability of \$1,012,295,819 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

### **Contributions**

Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District are based on availability of funds. For the measurement period of June 30, 2020, the District contributed \$32,594,010 to the Plan which was used for current premiums.

### **Investment Policy**

The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
All equities	40%	7.80%
All fixed income	43%	4.50%
Real estate investment trusts	8%	7.50%
All commodities	4%	7.80%
Treasury inflation protected securities	5%	3.25%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021.

### **Net OPEB Liability of the District**

The District's net OPEB liability of \$1,039,085,972 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 1,039,085,972
Plan fiduciary net position	(26,790,153)
District's net OPEB liability	<u>\$ 1,012,295,819</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.58%</u>

# San Francisco Unified School District

Notes to Financial Statements

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## **Actuarial Assumptions and Other Inputs**

The net OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2.30 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00 percent per year

The discount rate was based on the Bond Buyer 20-bond General Obligation Index. The discount rate was changed from 3.6% in the previous year's actuarial valuation.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and PR2000 Active Mortality for classified employees.

Retirement assumptions were based on the Retirement Tables of San Francisco ERS and 2009 CalSTRS Retirement Rates.

Turnover assumptions were based on the Turnover Tables of 2009 CalSTRS Termination Rates and 2009 CalSTRS Termination Rates for School Employees.

## **Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at Measurement date: June 30, 2019	\$ 807,495,615	\$ 25,427,043	\$ 782,068,572
Service cost	59,685,804	-	59,685,804
Interest	29,577,687	-	29,577,687
Differences between expected and actual experience	1,121,836	-	1,121,836
Contributions to Trust	-	-	-
Contributions as Benefit Payments	-	32,594,010	(32,594,010)
Net investment income	-	1,375,651	(1,375,651)
Changes of assumptions or other inputs	173,799,040	-	173,799,040
Benefit payments	(32,594,010)	(32,594,010)	-
Administrative expense	-	(12,541)	12,541
Net change	<u>231,590,357</u>	<u>1,363,110</u>	<u>230,227,247</u>
Balance at Measurement date: June 30, 2020	<u>\$ 1,039,085,972</u>	<u>\$ 26,790,153</u>	<u>\$ 1,012,295,819</u>

The interest assumption changed from 3.60% to 2.30%.

San Francisco Unified School District

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**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (1.30%)	\$ 1,171,230,157
Current discount rate (2.30%)	1,039,085,972
1% increase (3.30%)	872,944,598

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	\$ 877,298,432
Current healthcare cost trend rate (4.00%)	1,039,085,972
1% increase (5.00%)	1,190,339,468

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the District recognized OPEB expense of \$103,249,987. At June 30, 2021, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$36,772,723.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
OPEB contributions subsequent to measurement date	\$ 36,772,723	\$ -
Differences between expected and actual experience	1,001,208	(47,248,984)
Changes of assumptions	203,783,878	(20,084,056)
Net difference between projected and actual earnings on OPEB plan investments	-	(34,982)
<b>Total</b>	<b>\$ 241,557,809</b>	<b>\$ (67,368,022)</b>

# San Francisco Unified School District

## Notes to Financial Statements

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 15,626,305
2023	15,626,305
2024	15,626,305
2025	15,711,751
2026	15,656,412
Thereafter	59,169,986
	<hr/>
	\$ 137,417,064

### Note 13 - Risk Management

The District's risk management activities are recorded in the general fund and self-insurance funds. Employee life, health, and disability programs are administered through the purchase of commercial insurance. Employee dental and workers' compensation insurance is provided on a self-funded basis.

Commercial insurance is purchased for excess workers' compensation, property, general liability, crime, cyber, terrorism, and student accidents. For workers' compensation coverage, the District maintains a \$500,000 self-insured retention, with Statutory Limits through ARCH Insurance Group for excess coverage. For liability exposures, the Districts maintains a layered insurance program with limits of \$55 million per occurrence, with a \$250,000 self-insured retention per claim. As part of the liability insurance structure, the District participates in Schools Excess Liability Fund (SELF) joint powers authority (JPA). The District pays annual contributions to SELF for additional excess liability coverage over \$5M. The District maintains property coverage through Axis Insurance and RSUI Indemnity Company in the amount of \$200 million per occurrence, with a \$100,000 deductible. The District does not maintain insurance for earthquake risks.

For insured programs, there have been no significant reductions in insurance coverage to date. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

San Francisco Unified School District

Notes to Financial Statements

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**Claim Liabilities - Self Insurance Fund**

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities for workers' compensation are based on a current actuarial study using the "expected value" as the basis for the total liability. The workers' compensation liabilities are reported at their present value using an expected future investment yield assumption of two percent. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

	<u>Total</u>
Liability Balance, June 30, 2019	30,432,553
Claims and changes in estimates	13,118,339
Claims payments	<u>(14,804,827)</u>
Liability Balance, June 30, 2020	28,746,065
Claims and changes in estimates	9,079,563
Claims payments	<u>(14,804,827)</u>
Liability Balance, June 30, 2021	<u><u>\$ 23,020,801</u></u>

**Note 14 - Employee Retirement Systems**

Qualified employees are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plans, administered by the California State Teachers' Retirement System (CalSTRS) or the San Francisco Employees' Retirement System (SFERS). Academic employees are members of CalSTRS while classified employees are members of SFERS.

For the fiscal year ended June 30, 2021, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows		Deferred Inflows		Pension Expense
		of Resources		of Resources		
CalSTRS	\$ 771,295,683	\$ 262,131,963		\$ (52,263,251)	\$ 119,378,276	
SFERS	171,241,000	46,638,320		(3,967,000)	32,138,941	
Aggregate	<u><u>\$ 942,536,683</u></u>	<u><u>\$ 308,770,283</u></u>		<u><u>\$ (56,230,251)</u></u>	<u><u>\$ 151,517,217</u></u>	

San Francisco Unified School District  
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The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications. The CalSTRS website can be accessed at this address: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

# San Francisco Unified School District

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The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

## **Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$67,838,969.

## **Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share		
District's proportionate share of net pension liability	\$	771,295,683
State's proportionate share of the net pension liability associated with the District		397,603,016
Total	<hr/>	<hr/>
	\$	1,168,898,699

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.7959 percent and 0.7686 percent respectively, resulting in a net increase in the proportionate share of 0.0273 percent.

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For the year ended June 30, 2021, the District recognized pension expense of \$119.4 million. In addition, the District recognized pension expense and revenue of \$55.7 million for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 67,838,969	\$ -
Net change in proportionate share of net pension liability	99,398,212	30,511,390
Changes of assumptions	75,212,253	-
Difference between projected and actual earnings on pension plan investments	18,321,545	-
Differences between expected and actual experience in the measurement of the total pension liability	<u>1,360,984</u>	<u>21,751,861</u>
<b>Total</b>	<b><u>\$ 262,131,963</u></b>	<b><u>\$ 52,263,251</u></b>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed multi-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources	
2022	\$ (11,179,698)	
2023	6,242,484	
2024	12,454,460	
2025	10,804,299	
<b>Total</b>	<b><u>\$ 18,321,545</u></b>	

San Francisco Unified School District  
 Notes to Financial Statements  
 June 30, 2021

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>	
2021	\$	35,520,091
2022		23,797,372
2023		40,422,009
2024		12,434,773
2025		8,612,659
Thereafter		<u>2,921,294</u>
 <b>Total</b>	 <b>\$</b>	 <b>123,708,198</b>

#### **Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.00%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	42%	4.80%
Fixed income	12%	1.30%
Real estate	15%	3.60%
Private equity	13%	6.30%
Risk Mitigating Strategies	10%	1.80%
Inflation sensitive	6%	-3.30%
Cash/liquidity	2%	-0.40%
	<b>100%</b>	

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 1,165,320,339
Current discount rate (7.10%)	771,295,683

# San Francisco Unified School District

Notes to Financial Statements

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## **San Francisco Employees' Retirement System (SFERS)**

### **Plan Description**

Qualified employees are eligible to participate in the San Francisco Employees' Retirement System (SFERS); a cost-sharing multiple-employer, public employee, defined benefit pension plan administered by the City and County of San Francisco (the City). SFERS is a separate department of the City, deriving its powers, functions, and responsibility from the City Charter and ordinances of the Board of Supervisors of the City. Substantially all employees of the City and County are members, including most of the District's classified permanent full-time employees and certain certificated employees hired prior to July 1, 1972. Members are classified according to City bargaining units as police, fire, and miscellaneous. District employees are members of the miscellaneous pool. SFERS issues a separate annual financial report that includes financial statements and required supplementary information. The SFERS annual financial report is available online at [www.sfers.org](http://www.sfers.org).

### **Benefits Provided**

The retirement system provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual cost-of-living adjustments after retirement. Employees with 20 years of service who have attained age 50 or those with 10 years of service who have attained age 60 are eligible for retirement benefits. The City Charter and the Administrative Code are the authorities that establish and amend the benefit provisions of the plan and employer and member obligations to the plan.

The membership groups and the related service retirement benefits are included in the notes to the basic financial statements of the retirement system, which are available on the SFERS website.

All retired members receive a benefit adjustment each July 1, which is the basic cost of living adjustment (COLA). The majority of adjustments are determined by changes in the Consumer Price Index with increases capped at 2%. The Plan provides for a supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan and the Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5% including that Basic COLA. For members hired on or after January 7, 2012, supplemental COLAs will not be permanent adjustments to retirement benefits.

### **Contributions**

Contributions are made to the plan by both the employers and the participating employees. The basic employer contributions are the amounts deemed necessary, on an actuarial basis using the entry age normal cost method, to provide the plan with assets sufficient to pay the basic benefits that are not provided for by employees' contributions. Employee and employer contributions are mandatory, as required by the City Charter. The District's contributions to SFERS, for the year ended June 30, 2021 were \$25.1 million. Employee contribution rates for fiscal year 2020-2021 varied from 7.5% to 12.0% as a percentage of gross covered salary. The District is required to contribute at an actuarially determined rate. Based on the July 1, 2019 actuarial report, the required employer contribution rate for fiscal year 2020-2021 was 26.9%.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the collective SFERS net pension liability totaling \$171.2 million. The net pension liability of the plan is measured as of June 30, 2020, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The following table illustrates the change in the District's proportion during the year:

	<u>SFERS</u>
Proportion - June 30, 2019 measurement date	3.1772%
Proportion - June 30, 2020 measurement date	<u>3.1648%</u>
Change in proportion	<u>-0.0124%</u>

For the year ended June 30, 2021, the District recognized pension expense of \$32.1 million, including amortization of deferred outflows/inflows related pension items. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 25,091,320	\$ -
Difference between expected and actual experience	5,816,000	(537,000)
Changes in assumptions	9,401,000	(2,966,000)
Adjustment due to differences in proportions	2,744,000	(464,000)
Net difference between projected and actual earnings on plan investments	<u>3,586,000</u>	<u>-</u>
Total	<u>\$ 46,638,320</u>	<u>\$ (3,967,000)</u>

# San Francisco Unified School District

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The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 5 years and will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	<u>Amortization</u>
2022	\$ (1,321,000)
2023	4,100,000
2024	8,187,000
2025	6,614,000
Total	<u>\$ 17,580,000</u>

### **Actuarial Methods and Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020 using generally accepted actuarial procedures. The following is a summary of the actuarial methods and assumptions used in the actuarial valuation:

Valuation date	June 30, 2019 updated to June 30, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry-age normal cost
Inflation	2.75%
Salary increases	3.50% plus merit component
Investment rate of return	7.40%, net of investment expense and inflation
Municipal bond yield	2.21% for 2020
Discount rate	7.40%
Administrative expense	0.60% of payroll
Basic COLA	2.00%

Mortality rates for active members were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 scale.

### **Discount Rate**

The discount rate used to measure the total pension liability as of June 30, 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for June 30, 2019 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date plus an amortization payment on the unfunded actuarial liability.

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The plan's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year-end 2099, when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.21% to the extent they are not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2020 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	31%	4.9%
Treasuries	6%	-0.5%
Liquid credit	3%	2.7%
Private credit	10%	4.8%
Private equity	18%	7.9%
Real estate	17%	5.7%
Hedge funds/absolute return	15%	3.0%
Total	<u><u>100%</u></u>	

The following presents the District's allocation of its proportionate share of the net pension liability, calculated using the 7.40% discount rate, as well as what the District's allocation would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.40%)	\$ 302,776,000
Current discount rate (7.40%)	171,241,000
1% increase (8.40%)	62,569,000

# San Francisco Unified School District

## Notes to Financial Statements

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### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. The State contributions are recorded in these financial statements as a component of state revenue and pension expense.

Percent of Annual Payroll	General Fund	County School Fund	Adult Education Fund	Child Development Fund	Total State Contribution
8.987%	\$ 44,333,156	\$ 3,185,174	\$ 14,017	\$ 1,681,427	\$ 49,213,774

### Note 15 - Commitments and Contingencies

#### 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, 2021.

#### Litigation

The District is a respondent in various matters that arise in the ordinary course of business. Consequently, \$1.5 million was charged to claims reserve in the accompanying 2021 financial statements. Although the outcome of these matters is not presently determinable, in the opinion of the District's legal counsel, the amount of the ultimate loss to the District, if any, may equal or exceed an upper range of \$2.5 million.

#### Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects as follows:

- Proposition A 2006 general obligation bond program, \$145.9 thousand committed through September 2021.
- Proposition A 2016 general obligation bond program, \$48.4 million committed through August 2023.
- General facilities, \$7.7 million committed through March 2022.

# San Francisco Unified School District

## Notes to Financial Statements

June 30, 2021

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### Note 16 - Related Party Transactions

The District is a member of the School Project for Utility Rate Reduction (SPURR) and participates in the Schools Excess Liability Fund (SELF) joint powers authority (JPA). The District pays annual contributions to SELF for additional excess liability coverage. During the fiscal year ending June 30, 2021 the District paid SELF \$1.1 million for member contribution insurance premiums.

The relationship between the District and the JPA's is such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

### Note 17 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity, previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance and net position (deficit).

	Nonmajor Governmental Funds	Total Governmental Funds
Beginning fund balance previously reported at July 1, 2020	\$ 31,483,137	\$ 212,158,950
Reclassification of student activity funds from agency funds to a special revenue fund	<u>3,838,043</u>	<u>3,838,043</u>
Fund balance - beginning, as restated July 1, 2020	<u><u>\$ 35,321,180</u></u>	<u><u>\$ 215,996,993</u></u>
Governmental Activities		
Beginning net position (deficit) previously reported at July 1, 2020		\$ (312,573,787)
Reclassification of student activity funds from agency funds to a special revenue fund		<u>3,838,043</u>
Net position (deficit) - beginning, as restated July 1, 2020		<u><u>\$ (308,735,744)</u></u>



Required Supplementary Information

June 30, 2021

**San Francisco Unified School District**

San Francisco Unified School District  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2021

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	Budgeted Amounts			Variances - Favorable (Unfavorable)	
	Original	Final	Actual		
<b>Revenues</b>					
Local control funding formula	\$ 535,116,608	\$ 533,491,612	\$ 531,948,014	\$ (1,543,598)	
Federal sources	25,369,506	76,338,585	70,800,944	(5,537,641)	
Other state sources	76,395,870	44,095,858	114,800,591	70,704,733	
Other local sources	244,625,304	256,127,873	271,242,940	15,115,067	
<b>Total Revenues</b>	<b>881,507,288</b>	<b>910,053,928</b>	<b>988,792,489</b>	<b>78,738,561</b>	
<b>Expenditures</b>					
<b>Current</b>					
Certificated salaries	379,988,211	355,848,110	402,778,211	(46,930,101)	
Classified salaries	130,585,326	137,327,158	130,054,363	7,272,795	
Employee benefits	199,445,035	189,781,384	253,076,669	(63,295,285)	
Books and supplies	20,079,885	40,417,221	22,326,937	18,090,284	
Services and operating expenditures	72,362,595	98,611,708	72,125,796	26,485,912	
Other outgo	51,021,253	43,668,167	26,908,652	16,759,515	
<b>Capital outlay</b>	<b>391,662</b>	<b>7,397,806</b>	<b>2,277,858</b>	<b>5,119,948</b>	
<b>Total Expenditures</b>	<b>853,873,967</b>	<b>873,051,554</b>	<b>909,548,486</b>	<b>(36,496,932)</b>	
Excess (deficiency) of revenues over expenditures	27,633,321	37,002,374	79,244,003	42,241,629	
<b>Other Financing Uses</b>					
Transfers out	(14,705,642)	(15,470,926)	(15,804,075)	(333,149)	
<b>Total Financing Sources (Uses)</b>	<b>(14,705,642)</b>	<b>(15,470,926)</b>	<b>(15,804,075)</b>	<b>(333,149)</b>	
Net Change In Fund Balances	12,927,679	21,531,448	63,439,928	41,908,480	
Fund balance - Beginning	62,782,107	62,782,107	62,782,107	-	
Fund balance - Ending	<b>\$ 75,709,786</b>	<b>\$ 84,313,555</b>	<b>\$ 126,222,035</b>	<b>\$ 41,908,480</b>	

**San Francisco Unified School District**  
**Budgetary Comparison Schedule – County School Service Fund**  
**Year Ended June 30, 2021**

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	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenue</b>				
Local control funding formula	\$ 10,702,252	\$ 47,117,539	46,778,550	\$ (338,989)
Federal sources	15,116,748	15,921,294	14,234,243	(1,687,051)
Other state sources	57,967,554	4,758,476	8,645,743	3,887,267
Other local sources	52,353,332	44,996,021	27,407,001	(17,589,020)
<b>Total Revenues</b>	<b>136,139,886</b>	<b>112,793,330</b>	<b>97,065,537</b>	<b>(15,727,793)</b>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	27,173,563	26,356,372	29,739,741	(3,383,369)
Classified salaries	22,787,307	19,845,725	17,751,626	2,094,099
Employee benefits	21,657,399	20,751,151	21,982,205	(1,231,054)
Books and supplies	2,381,619	2,600,939	2,051,397	549,542
Services and operating expenditures	61,219,001	46,380,232	30,332,552	16,047,680
Capital outlay	-	1,427	1,924	(497)
<b>Total Expenditures</b>	<b>135,218,889</b>	<b>115,935,846</b>	<b>101,859,445</b>	<b>14,076,401</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>920,997</b>	<b>(3,142,516)</b>	<b>(4,793,908)</b>	<b>(1,651,392)</b>
<b>Net Change Inf Fund Balances</b>	<b>920,997</b>	<b>(3,142,516)</b>	<b>(4,793,908)</b>	<b>(1,651,392)</b>
<b>Fund balance - Beginning</b>	<b>8,606,723</b>	<b>8,606,723</b>	<b>8,606,723</b>	<b>-</b>
<b>Fund balance - Ending</b>	<b>\$ 9,527,720</b>	<b>\$ 5,464,207</b>	<b>\$ 3,812,815</b>	<b>\$ (1,651,392)</b>

San Francisco Unified School District  
 Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
 Year Ended June 30, 2021

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Reporting fiscal year	2021	2020	2019	2018
Measurement date	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service cost	\$ 59,685,804	\$ 51,933,729	\$ 54,233,883	\$ 52,782,368
Interest on the TOL	29,577,687	29,157,278	28,342,781	24,365,832
Difference between expected and actual experience	1,121,836	(60,193,912)	-	-
Changes of assumptions	173,799,040	62,007,951	(30,126,085)	-
Benefit payments	(32,594,010)	(31,870,502)	(29,470,435)	(28,336,957)
Net change in total OPEB liability	231,590,357	51,034,544	22,980,144	48,811,243
Total OPEB liability - beginning	807,495,615	756,461,071	733,480,927	684,669,684
<b>Total OPEB liability - ending</b>	<b>\$1,039,085,972</b>	<b>\$807,495,615</b>	<b>\$756,461,071</b>	<b>\$733,480,927</b>
 <b>Plan Fiduciary Net Position</b>				
Contributions to trust	\$ -	\$ 25,000,000	\$ -	\$ -
Contributions as benefit payments	32,594,010	31,870,502	-	-
Changes of benefit terms	-	-	-	-
Net investment income	1,375,651	427,235	-	-
Administrative expense	(12,541)	(192)	-	-
Benefit payments	(32,594,010)	(31,870,502)	-	-
Net change in plan fiduciary net position	1,363,110	25,427,043	-	-
Plan fiduciary net position - beginning	25,427,043	-	-	-
<b>Plan fiduciary net position - ending</b>	<b>\$ 26,790,153</b>	<b>\$ 25,427,043</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>Net OPEB Liability</b>	<b>\$1,012,295,819</b>	<b>\$782,068,572</b>	<b>\$756,461,071</b>	<b>\$733,480,927</b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>2.58%</b>	<b>3.15%</b>	<b>N/A</b>	<b>N/A</b>
Covered-employee payroll	\$ 520,368,000	\$454,564,000	\$433,224,000	\$411,662,000
 <b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>200%</b>	<b>178%</b>	<b>175%</b>	<b>178%</b>

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available. The discount rate used to measure the total pension liability was changed from 3.6% to 2.75% as of the June 30, 2021 fiscal year end.

San Francisco Unified School District  
 Schedule of District Contributions for OPEB  
 Year Ended June 30, 2021

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Fiscal year	2020	2019	2018	2017
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contribution	36,772,723	32,594,010	31,870,502	30,758,229
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 551,088,000	\$ 520,368,000	\$ 454,564,000	\$ 433,224,000
Contributions as a percentage of covered-employee payroll	6.67%	6.26%	7.01%	7.10%

**Note to schedule**

The OPEB actuary was not asked to calculate an actuarially determined contribution. The District contributed an amount necessary to fund the OPEB expenditures on a pay-as- you-go basis for fiscal year end June 30, 2021.

In the future, as data becomes available, ten years of information will be presented.

San Francisco Unified School District  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 Year Ended June 30, 2021

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<i>(Amounts in thousands)</i>	2015	2016	2017	2018	2019	2020	2021
<b>CalSTRS</b>							
District's proportion of the net pension liability	0.6550%	0.7680%	0.6236%	0.6676%	0.7024%	0.7686%	0.7959%
District's proportionate share of the net pension liability	\$ 382,762	\$ 517,072	\$ 504,375	\$ 617,389	\$ 645,548	\$ 694,175	\$ 771,296
State's proportionate share of the net pension liability associated with the District	231,113	273,474	287,132	365,242	369,607	378,719	397,603
Total	<u>\$ 613,875</u>	<u>\$ 790,546</u>	<u>\$ 791,507</u>	<u>\$ 982,631</u>	<u>\$ 1,015,155</u>	<u>\$ 1,072,894</u>	<u>\$ 1,168,899</u>
District's covered employee payroll at the measurement date	\$ 300,327	\$ 314,358	\$ 334,115	\$ 353,820	\$ 372,505	\$ 413,728	\$ 436,961
District's proportionate share of the net pension liability as a percentage of its covered payroll	127.45%	164.49%	150.96%	174.49%	173.30%	167.79%	176.51%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	77%	69%	71%	73%	72%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
<b>SFERS</b>							
District's proportion of the net pension liability	2.9759%	3.1190%	2.9698%	3.0930%	3.1552%	3.1772%	3.1648%
District's proportionate share of the net pension liability	\$ 52,686	\$ 71,606	\$ 172,628	\$ 154,445	\$ 135,128	\$ 142,232	\$ 171,241
District's covered payroll at the measurement date	\$ 63,892	\$ 69,040	\$ 77,547	\$ 79,404	\$ 82,059	\$ 106,640	\$ 114,126
District's proportionate share of the net pension liability as a percentage of its covered payroll	82.46%	103.72%	222.61%	194.51%	164.67%	133.38%	150.05%
Plan fiduciary net position as a percentage of the total pension liability	92%	90%	78%	82%	85%	85%	83%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020

*Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.*

San Francisco Unified School District  
Schedule of the District Pension Contributions  
Year Ended June 30, 2021

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<i>(Amounts in thousands)</i>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>CalSTRS</b>										
Contractually required contribution	\$ 23,290	\$ 23,740	\$ 24,777	\$ 27,915	\$ 35,778	\$ 44,510	\$ 53,764	\$ 67,355	\$ 74,720	\$ 67,839
Contributions in relation to the contractually required contribution	(23,290)	(23,740)	(24,777)	(27,915)	(35,778)	(44,510)	(53,764)	(67,355)	(74,720)	(67,839)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	<u>\$ 282,303</u>	<u>\$ 287,758</u>	<u>\$ 300,327</u>	<u>\$ 314,358</u>	<u>\$ 334,115</u>	<u>\$ 353,820</u>	<u>\$ 372,505</u>	<u>\$ 413,728</u>	<u>\$ 436,961</u>	<u>\$ 420,056</u>
Contributions as a percentage of covered payroll	8.25%	8.25%	8.25%	8.88%	10.71%	12.58%	14.43%	16.28%	17.10%	16.15%
<b>SFERS</b>										
Contractually required contribution	\$ 11,692	\$ 12,388	\$ 15,858	\$ 18,483	\$ 15,645	\$ 17,068	\$ 19,530	\$ 20,496	\$ 23,510	\$ 25,091
Contributions in relation to the contractually required contribution	(11,692)	(12,388)	(15,858)	(18,483)	(15,645)	(17,068)	(19,530)	(20,496)	(23,510)	(25,091)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	<u>\$ 64,632</u>	<u>\$ 67,168</u>	<u>\$ 63,892</u>	<u>\$ 69,040</u>	<u>\$ 77,547</u>	<u>\$ 79,404</u>	<u>\$ 82,059</u>	<u>\$ 106,640</u>	<u>\$ 114,126</u>	<u>\$ 120,456</u>
Contributions as a percentage of covered payroll	18.09%	18.44%	24.82%	26.77%	20.17%	21.50%	23.80%	19.22%	20.60%	20.83%

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the board of education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the general fund and county school service fund are presented as required supplementary information.

### **Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented. Until the full ten-year trend is compiled, information is presented only for those years which information is available.

### **Schedule of District Contributions for OPEB**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

### **Schedule of District Pension Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. Until the full ten-year trend is compiled, information is presented only for those years which information is available.

### **Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation for either CalSTRS, SFERS, or OPEB.

### **Changes in Assumptions**

There were no changes in economic assumptions for CalSTRS from the previous valuations.

For the fiscal year ended June 30, 2020 SFERS inflation rate changed from 3.25% as of June 30, 2019 to 2.75%, Salary increases changed from 3.75% as of June 30, 2019 to 3.50%, Discount rate changed from 7.50% as of June 30, 2019 to 7.40%, and the Municipal bond yield rate changed from 3.87% as of June 30, 2019 to 3.50% to 2.21% as of June 30, 2021.

For the fiscal year ended June 30, 2021 OPEB discount rate changed to 2.30 percent from 3.60 percent as of June 30, 2020 from 3.80 percent as of June 30, 2019, net of OPEB plan investment expense, including inflation.



Supplementary Information

June 30, 2021

**San Francisco Unified School District**

**San Francisco Unified School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing /Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education			
Career and Technical Education - Basic Grants to States	84.048	14894	434,231
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	14329	13,631,767
Title I Grants to Local Educational Agencies	84.010	15438	1,265,294
Title I Grants to Local Educational Agencies	84.010	14357	<u>219,794</u>
Total, Title I Grants to Local Educational Agencies			15,116,855
Migrant Education State Grant Program			
Migrant Education State Grant Program	84.011	14838	151,942
Migrant Education State Grant Program	84.011	10005	43,145
Migrant Education State Grant Program	84.011	10144	<u>3,199</u>
Total Title I, Migrant Education State Grant Program			198,286
Supporting Effective Instruction State Grants	84.367	14341	1,823,395
English Language Acquisition Grants	84.365	14346	1,699,330
Twenty-First Century Community Learning Centers			
21st Century Community Learning Centers	84.287	14350	86,677
21st Century Community Learning Centers	84.287	14349	<u>2,497,427</u>
Total 21st Century Community Learning Centers			2,584,104
Student Support and Academic Enrichment	84.424	15396	858,645
Education for Homeless Children and Youth	84.196	14332	39,372
Grants for State Assessments and Related Activities	84.369	14501	646,044
<b>COVID-19, Education Stabilization Fund</b>			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	10,859,040
Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	790,904
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	<u>2,864,868</u>
Total Education Stabilization Fund			14,514,812

**San Francisco Unified School District**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION (CONTINUED)</b>			
Special Education Cluster (IDEA)			
Special Education Grants to States			
Special Education Grants to States (IDEA, Part B)	84.027	13379	11,143,472
Special Education Grants to States (IDEA, Part B)	84.027	15197	604,483
Special Education Preschool Grants			
Special Education Preschool Grants (IDEA Preschool)	84.173	13430	375,840
Special Education Preschool Grants (IDEA Preschool)	84.173	13007	41,161
Special Education Preschool Grants (IDEA Preschool)	84.173	13431	<u>2,045</u>
Total, Special Education Cluster (IDEA)			<u>12,167,001</u>
Special Education - Grants for Infants and Families	84.181	23761	162,626
Total, passed through California Department of Education			<u>50,244,701</u>
Passed through California Department of Rehabilitation			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	10006	74,823
Promise Neighborhoods	84.215	n/a	175,609
Indian Education Grants to Local Educational Agencies	84.060	n/a	<u>22,842</u>
Total, passed through California Department of Rehabilitation			<u>273,274</u>
Total, U.S. Department of Education			<u>50,517,975</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	4,643,762
School Breakfast Program	10.553	13390	184,366
National School Lunch Program	10.555	13391/13396 Not Available	7,588,747
National School Lunch Program	10.555	Available	<u>227,763</u>
Total, Child Nutrition Cluster			<u>12,644,638</u>
Child and Adult Care Food Program	10.558	13393	5,283,559
Child Nutrition Discretionary Grants Limited Availability	10.579	14906	371
Total, U.S. Department of Agriculture, passed through California Department of Education			<u>17,928,568</u>

**San Francisco Unified School District**  
**Schedule of Expenditures of Federal Awards**  
June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Grant Identifying Number	Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Passed through California Department of Education			
ROTC Language and Culture Training Grants	12.357	Available	705,203
<b>U.S. DEPARTMENT OF TREASURY</b>			
Passed through California Department of Education			
COVID-19, Coronavirus Relief Fund	21.019	25516	32,316,142
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Grant		Not Available	
I3 Grant New Teacher Center	16.000	Available	6,458
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Education			
Child Care and Development Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	8,648,702
COVID-19, Child Care and Development Block Grant	93.575	15555	1,271,681
Total, Child Care and Development Cluster			<u>9,920,383</u>
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance			
	93.079	Not Available	369,298
Total, U.S. Department of Health and Human Services			<u>10,289,681</u>
Total Federal Financial Assistance			\$ 111,764,027

## Organization

The San Francisco Unified School District was established in 1851 and consists of an area comprising approximately 49 square miles. The District operates 8 alternatively configured (TK-8), 64 elementary schools, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), 8 court and county community schools, 34 state-funded preschool sites, and 12 early education centers. The District sponsors 14 independent charter schools.

### Governing Board

MEMBER	OFFICE	TERM EXPIRES
Gabriela Lopez	President	2023
Jenny Lam	Vice-President	2024
Alison M. Collins	Commissioner	2023
Kevine Boggess	Commissioner	2024
Mark Sanchez	Commissioner	2024
Faauuga Moliga	Commissioner	2023
Matt Alexander	Commissioner	2024

### Administration

Vincent Matthews	Superintendent of Schools
Danielle Houck	General Counsel
Enikia Ford-Morthel	Deputy Superintendent, Instruction, Innovation and Social Justice
Myong Leigh	Deputy Superintendent, Policy & Operations
Gentle Blythe	Deputy Superintendent, Strategic Partnerships and Communications
Ana De Arce	Assistant Superintendent, K-8 - Cohort I
Wesley Tang	Assistant Superintendent, K-8 - Cohort II
Tamitrice Rice-Mitchell	Assistant Superintendent, K-8 - Cohort III
Jason Hannon	Assistant Superintendent, K-8 - Cohort IV
Dr. E'leva Hughes Gibson	Assistant Superintendent, K-8 - Cohort V
Han Phung	Assistant Superintendent, K-8 - Cohort VI
Bill Sanderson	Assistant Superintendent, High Schools
Jean Robertson	Chief, Special Education
Meenoo Yashar	Chief of Early Childhood Education
Melissa Dodd	Chief Technology Officer
Jill Hoogendyk	Chief, Staff
Ritu Khanna	Chief, Research Planning and Assessment
Meghan Wallace	Chief, Financial
Dr. Nicole Priestly	Chief, Academic
Mele Smith	Chief, Student, Family and Community Support
Kristin Bijur	Chief, Human Resources
Dawn Kamalanathan	Chief, Facilities
Orla O'Keefe	Chief, Policy & Operations
Daniel Menezes (interim)	Chief, Labor Relations

San Francisco Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

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Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	N/A	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	N/A	180	Complied
Grade 2	180	N/A	N/A	180	Complied
Grade 3	180	N/A	N/A	180	Complied
Grades 4 - 6					
Grade 4	180	N/A	N/A	180	Complied
Grade 5	180	N/A	N/A	180	Complied
Grade 6	180	N/A	N/A	180	Complied
Grades 7 - 8					
Grade 7	180	N/A	N/A	180	Complied
Grade 8	180	N/A	N/A	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	N/A	180	Complied
Grade 10	180	N/A	N/A	180	Complied
Grade 11	180	N/A	N/A	180	Complied
Grade 12	180	N/A	N/A	180	Complied

San Francisco Unified School District  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2021

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The following are adjustments between the unaudited actuals financial report and the audited financial statements:

	<u>General Fund</u>
Balance, June 30, 2021, unaudited actual financial report	\$ 127,722,035
Increase in claims reserve liabilities	(1,500,000)
Balance, June 30, 2021, audited financial statements	<u>\$ 126,222,035</u>

San Francisco Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

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	(Budget)			
	2022 <sup>1</sup>	2021	2020	2019
General Fund				
Revenues	\$ 1,289,525	\$ 988,792	\$ 895,007	\$ 920,416
Expenditures	1,090,072	909,548	926,658	900,784
Other uses and transfers out	13,927	15,804	11,365	12,525
Total Expenditures and Other Uses	<u>1,103,999</u>	<u>925,352</u>	<u>938,023</u>	<u>913,309</u>
Change In Fund Balance	\$ 185,526	\$ 63,440	\$ (43,016)	\$ 7,107
Ending Fund Balance	<u>\$ 311,749</u>	<u>\$ 126,223</u>	<u>\$ 62,783</u>	<u>\$ 105,799</u>
Available Reserves	<u>\$ 62,973</u>	<u>\$ 39,730</u>	<u>\$ 8,952</u>	<u>\$ 30,161</u>
Available Reserves as A Percentage of Total Outgo	5.70%	4.29%	0.95%	3.30%
Long-Term Obligations	<u>\$ 3,062,128</u>	<u>\$ 3,055,700</u>	<u>\$ 2,562,689</u>	<u>\$ 2,558,743</u>
Average Daily Attendance				
AT P-2 <sup>2</sup>	<u>50,096</u>	<u>50,265</u>	<u>50,195</u>	<u>50,008</u>

The general fund balance has increased by \$20.4 million over the past two years. The fiscal year 2021-22 budget projects an increase of \$34.4 million, or 27 percent. For a district this size, the state recommends available reserves of at least two percent of total general fund expenditures, transfers out, and other uses (total outgo). Available reserves on June 30, 2021 were 4.29 percent, which is an increase of \$63.4 million or 101 percent from fiscal year 2019-20.

During fiscal year 2020-21, the general fund incurred an operating surplus of \$63.4 million. The District expects a general fund operating surplus during the 2021-22 fiscal year of \$186 million. Long term obligations have increased \$503 million over the past two years.

Average daily attendance has increased by 257 over the past two years. A decrease of 169 ADA is budgeted for fiscal year 2020-21.

<sup>1</sup> Budget 2021 is based on the most current District projection and is included for analytical purposes only and has not been subjected to audit. <sup>2</sup> ADA amounts include District and County programs.

San Francisco Unified School District  
 Schedule of Charter Schools  
 Year Ended June 30, 2021

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<u>Charter #</u>	<u>Name of Charter School</u>	<u>Included in Audit Report</u>
0599	City Arts and Technology High School	No
0040	Creative Arts Charter School	No
1029	Five Keys Adult School	No
0567	Five Keys Charter School	No
1028	Five Keys Independence High School	No
0141	Gateway High School	No
1267	Gateway Middle School	No
0549	KIPP Bayview Academy	No
0551	KIPP San Francisco Bay Academy	No
1502	KIPP San Francisco College Preparatory	No
0122	Leadership High School	No
0140	Life Learning Academy	No
1270	Mission Preparatory	No
0158	Thomas Edison Charter Academy	No

San Francisco Unified School District  
Combining Balance Sheet – Nonmajor Governmental Funds  
June 30, 2021

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	Adult Education	Student Activities	Child Development	Cafeteria	Deferred Maintenance	State School Building	County School Facilities	Special Reserve Capital Outlay	Mello-Roos Capital Project	Tax Override	Nonmajor Governmental Funds
<b>Assets</b>											
Cash and Investments	\$ 189,379	\$ 3,817,408	\$ -	\$ 4,850	\$ 6,577,877	\$ 1,383,836	\$ 2,568,520	\$ 14,475,635	\$ 7,065,050	\$ 33,297	\$ 36,115,852
Receivables	-	-	9,036,305	6,162,722	3,952	831	1,542	-	4,246	-	15,209,598
Stores inventories	-	-	-	32,888	-	-	-	-	-	-	32,888
<b>Total Assets</b>	<b>\$ 189,379</b>	<b>\$ 3,817,408</b>	<b>\$ 9,036,305</b>	<b>\$ 6,200,460</b>	<b>\$ 6,581,829</b>	<b>\$ 1,384,667</b>	<b>\$ 2,570,062</b>	<b>\$ 14,475,635</b>	<b>\$ 7,069,296</b>	<b>\$ 33,297</b>	<b>\$ 51,358,338</b>
<b>Liabilities and Fund Balances</b>											
<b>Liabilities</b>											
Overdrafts	\$ -	\$ -	\$ 2,127,389	\$ 2,809,506	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 4,936,895
Accounts payable	8,908	-	1,376,909	2,414,973	215,748	-	-	517,022	626,288	-	5,159,848
Unearned revenue	-	-	-	-	-	-	-	347,294	-	-	347,294
<b>Total Liabilities</b>	<b>8,908</b>	<b>-</b>	<b>3,504,298</b>	<b>5,224,479</b>	<b>215,748</b>	<b>-</b>	<b>-</b>	<b>864,316</b>	<b>626,288</b>	<b>-</b>	<b>10,444,037</b>
<b>Fund Balances</b>											
Nonspendable	-	-	-	37,738	-	-	-	-	-	-	37,738
Restricted	180,471	3,817,408	5,532,007	938,243	-	1,384,667	2,570,062	13,611,319	6,443,008	33,297	34,510,482
Committed	-	-	-	6,366,081	-	-	-	-	-	-	6,366,081
<b>Total Fund Balances</b>	<b>180,471</b>	<b>3,817,408</b>	<b>5,532,007</b>	<b>975,981</b>	<b>6,366,081</b>	<b>1,384,667</b>	<b>2,570,062</b>	<b>13,611,319</b>	<b>6,443,008</b>	<b>33,297</b>	<b>40,914,301</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 189,379</b>	<b>\$ 3,817,408</b>	<b>\$ 9,036,305</b>	<b>\$ 6,200,460</b>	<b>\$ 6,581,829</b>	<b>\$ 1,384,667</b>	<b>\$ 2,570,062</b>	<b>\$ 14,475,635</b>	<b>\$ 7,069,296</b>	<b>\$ 33,297</b>	<b>\$ 51,358,338</b>

San Francisco Unified School District  
 Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Nonmajor Governmental Funds  
 Year ended June 30, 2021

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	Adult Education	Student Activities	Child Development	Cafeteria	Deferred Maintenance	State School Building	County School Facilities	Special Reserve Capital Outlay	Mello-Roos Capital Project	Tax Override	Nonmajor Governmental Funds
<b>Revenues</b>											
Federal sources	\$ -	\$ -	\$ 9,920,383	\$ 17,700,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,621,188
Other state sources	442,517	-	23,922,761	2,331,087	-	-	5,656,555	-	-	-	32,352,920
Other local sources	162	1,069,275	6,257,032	2,212,070	30,489	10,586	1,469,004	5,144,579	8,685,602	28	24,878,827
<b>Total Revenues</b>	<b>442,679</b>	<b>1,069,275</b>	<b>40,100,176</b>	<b>22,243,962</b>	<b>30,489</b>	<b>10,586</b>	<b>7,125,559</b>	<b>5,144,579</b>	<b>8,685,602</b>	<b>28</b>	<b>84,852,935</b>
<b>Expenditures</b>											
Current											
Instruction	-	-	25,609,725	-	-	-	-	-	-	-	25,609,725
Instruction related activities:											
Supervision of instruction	300,158	-	8,343,418	-	-	-	-	-	-	-	8,643,576
School site administration	-	-	5,136,140	-	-	-	-	-	-	-	5,136,140
Pupil Services:											
Food services	-	-	1,918,380	24,371,366	-	-	-	-	-	-	26,289,746
All other pupil services	1,605	-	158,436	-	-	-	-	-	-	-	160,041
General administration:											
All other general administration	9,151	-	1,213,695	719,115	-	-	-	-	-	-	1,941,961
Plant services	-	-	898,872	-	-	-	-	-	-	-	898,872
Capital Outlay	-	-	-	47,552	1,088,145	97,000	214	4,364,481	10,186,829	-	15,784,221
Ancillary services	-	1,089,910	-	-	-	-	-	-	-	-	1,089,910
Debt service											
Principal	-	-	-	-	-	-	-	2,751,755	-	-	2,751,755
Interest and other	-	-	-	-	-	-	-	225,015	-	-	225,015
<b>Total Expenditures</b>	<b>310,914</b>	<b>1,089,910</b>	<b>43,278,666</b>	<b>25,138,033</b>	<b>1,088,145</b>	<b>97,000</b>	<b>214</b>	<b>7,341,251</b>	<b>10,186,829</b>	<b>-</b>	<b>88,530,962</b>
Excess (deficiency) of revenues over expenditures	131,765	(20,635)	(3,178,490)	(2,894,071)	(1,057,656)	(86,414)	7,125,345	(2,196,672)	(1,501,227)	28	(3,678,027)
<b>Other Financing Sources:</b>											
Transfers in	-	-	5,159,359	3,628,964	4,038,982	-	-	2,976,770	-	-	15,804,075
Transfers out	-	-	-	-	-	-	(5,656,555)	-	(876,372)	-	(6,532,927)
<b>Net Financing Sources</b>	<b>-</b>	<b>-</b>	<b>5,159,359</b>	<b>3,628,964</b>	<b>4,038,982</b>	<b>-</b>	<b>(5,656,555)</b>	<b>2,976,770</b>	<b>(876,372)</b>	<b>-</b>	<b>9,271,148</b>
<b>Net Change in Fund Balances</b>	<b>131,765</b>	<b>(20,635)</b>	<b>1,980,869</b>	<b>734,893</b>	<b>2,981,326</b>	<b>(86,414)</b>	<b>1,468,790</b>	<b>780,098</b>	<b>(2,377,599)</b>	<b>28</b>	<b>5,593,121</b>
Fund Balance - Beginning, as restated	48,706	3,838,043	3,551,138	241,088	3,384,755	1,471,081	1,101,272	12,831,221	8,820,607	33,269	35,321,180
Fund Balance - Ending	<b>\$ 180,471</b>	<b>\$ 3,817,408</b>	<b>\$ 5,532,007</b>	<b>\$ 975,981</b>	<b>\$ 6,366,081</b>	<b>\$ 1,384,667</b>	<b>\$ 2,570,062</b>	<b>\$ 13,611,319</b>	<b>\$ 6,443,008</b>	<b>\$ 33,297</b>	<b>\$ 40,914,301</b>

San Francisco Unified School District  
 General Unrestricted and Restricted Funds – Balance Sheet Schedules  
 June 30, 2021

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	Unrestricted	Restricted	Total General Fund
<b>Assets</b>			
Cash and investments	\$ 67,130,466	\$ 84,117,312	\$ 151,247,778
Receivables	96,273,767	27,190,914	123,464,681
Prepaid expenditures	154,653	-	154,653
Stores inventories	1,373,097	-	1,373,097
<b>Total assets</b>	<b>\$ 164,931,983</b>	<b>\$ 111,308,226</b>	<b>\$ 276,240,209</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 21,135,783	\$ 12,746,799	\$ 33,882,582
Current loans	100,620,582	-	100,620,582
Unearned revenue	417,125	15,097,885	15,515,010
<b>Total liabilities</b>	<b>122,173,490</b>	<b>27,844,684</b>	<b>150,018,174</b>
 <b>Fund Balances</b>			
Nonspendable	1,528,250	-	1,528,250
Restricted	-	84,963,542	84,963,542
Unassigned	39,730,243	-	39,730,243
<b>Total Fund Balances</b>	<b>41,258,493</b>	<b>84,963,542</b>	<b>126,222,035</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 163,431,983</b>	<b>\$ 112,808,226</b>	<b>\$ 276,240,209</b>

San Francisco Unified School District

General Unrestricted and Restricted Funds – Combining Schedule of Revenues, Expenditures and Changes in  
Fund Balances  
June 30, 2021

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	Unrestricted	Restricted	Total General Fund
<b>Revenues</b>			
Local control funding formula	\$ 531,948,014	\$ -	\$ 531,948,014
Federal sources	705,203	70,095,741	70,800,944
Other state sources	11,034,405	103,766,186	114,800,591
Other local sources	59,461,308	211,781,632	271,242,940
<b>Total Revenues</b>	<b>603,148,930</b>	<b>385,643,559</b>	<b>988,792,489</b>
 <b>Expenditures</b>			
Current			
Instruction	276,799,449	253,900,702	530,700,151
Instruction related activities	71,326,423	94,190,601	165,517,024
Pupil Services	25,612,088	47,766,477	73,378,565
General administration	41,506,282	23,321,395	64,827,677
Ancillary services	336,910	1,741,601	2,078,511
Plant services	36,277,325	28,870,988	65,148,313
Other outgo	10,233,146	(9,388,320)	844,826
Capital outlay	4,833,018	2,220,401	7,053,419
<b>Total Expenditures</b>	<b>466,924,641</b>	<b>442,623,845</b>	<b>909,548,486</b>
 Excess (deficiency) of revenues over expenditures	 136,224,289	 (56,980,286)	 79,244,003
 <b>Other Financing Sources (Uses)</b>			
Other sources	(93,790,719)	93,790,719	-
Transfers out	(9,462,133)	(6,341,942)	(15,804,075)
<b>Net Financing Uses</b>	<b>(103,252,852)</b>	<b>87,448,777</b>	<b>(15,804,075)</b>
 Net Change In Fund Balance	 32,971,437	 30,468,491	 63,439,928
Fund Balance - Beginning	9,787,056	52,995,051	62,782,107
<b>Fund Balance - Ending</b>	<b>\$ 42,758,493</b>	<b>\$ 83,463,542</b>	<b>\$ 126,222,035</b>

San Francisco Unified School District  
Notes to Supplementary Information  
June 30, 2021

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**Note 1 - Purpose of Schedules**

**Schedule of Expenditures of Federal Awards (SEFA)**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the San Francisco Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Total federal revenues reported on the statement of revenues, expenditures and changes in fund balance:	\$ 112,656,375
Medical Assistance Program	(1,120,111)
Noncash federal awards are not recorded on the financial statements	<u>227,763</u>
 Total schedule of expenditures of federal awards	 <u>\$ 111,764,027</u>

**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.

**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.

# San Francisco Unified School District

Notes to Supplementary Information

June 30, 2021

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## **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. Districts must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201.

The actual minutes and days offered at Lincoln High School for grades nine through twelve was the minimum required by law plus 519 minutes and three days, per the CDE Disposition Letter dated November 6, 2019 (Waiver #: 4-7-2019-W-03).

## **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the unaudited actual financial report, to the audited financial statements.

## **Schedule of Financial Trends and Analysis**

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

## **Schedule of Charter Schools**

This schedule lists all schools chartered by the District or County Office of Education, and displays information for each charter school on whether or not the school is included in the District audit.

## **Nonmajor Governmental Funds – Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

The nonmajor governmental funds combining balance sheet and statement of revenues, expenditures and changes in fund balances is included to provide information regarding the individual funds that have been included in the nonmajor governmental funds column on the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances.

## **General Unrestricted and Restricted Funds – Balance Sheet Schedule and Schedule of Revenues, Expenditures and Changes in Fund Balances**

The general unrestricted and restricted funds balance sheet and schedule of revenues, expenditures and changes in fund balances is included to provide information regarding the unrestricted and restricted funds that have been included in the general funds column on the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances.



Independent Auditor's Reports

June 30, 2021

**San Francisco Unified School District**



**Independent Auditor's 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 Education  
San Francisco Unified School District  
San Francisco, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Francisco Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise San Francisco Unified School District's basic financial statements and have issued our report thereon dated January 31, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Eddie Bailely LCP". The signature is fluid and cursive, with "Eddie" and "Bailely" connected, and "LCP" written separately at the end.

Menlo Park, California

January 31, 2022



**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
San Francisco Unified School District  
San Francisco, California

**Report on Compliance for Each Major Federal Program**

We have audited San Francisco Unified School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Baily" connected at the top, and "LLP" written below them.

Menlo Park, California  
January 31, 2022



## **Independent Auditor's Report on State Compliance**

Board of Education  
San Francisco Unified School District  
San Francisco, California

### **Report on State Compliance**

We have audited San Francisco Unified School District's (District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

#### ***Management's Responsibility***

Management is responsible for compliance with the state laws and regulations as identified in the table below.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the District's compliance 'with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's 'compliance.

### **Compliance Requirements Tested**

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and District Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below
	State compliance

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

**Basis for Qualified Opinion on Comprehensive School Safety Plan**

As described in the accompanying schedule of findings and responses as item 2021-001, the District did not comply with requirements regarding the Comprehensive School Safety Plan. Compliance with such requirements is necessary, in our opinion, for San Francisco Unified School District to comply with the requirements referred to above.

**Qualified Opinion on Comprehensive School Safety Plan**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Unmodified Opinion on Each of the Other Programs**

In our opinion, San Francisco Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2021, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Saurly LCP". The signature is fluid and cursive, with "Eric" and "Saurly" connected at the top, and "LCP" written below them in a smaller, more formal script.

Menlo Park, California

January 31, 2022

San Francisco Unified School District  
 Summary of Auditor's Results  
 Year Ended June 30, 2021

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**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting	
Material weakness identified	No
Significant deficiency identified	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major Federal programs	
Material weakness identified?	No
Significant deficiency identified?	None reported

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19, Coronavirus Relief Fund
84.425C, 84.425D	COVID-19, Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 3,000,000
Auditee qualified as low-risk auditee?	Yes

**State Awards**

Type of auditor's report issued on compliance for programs:

Unmodified for all programs except for the following programs which were qualified

<u>Name of Program</u>
Comprehensive School Safety Plan

**San Francisco Unified School District**

Financial Statement Findings

Year Ended June 30, 2021

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None reported.

**San Francisco Unified School District**  
**Federal Awards Findings and Questioned Costs**  
**Year Ended June 30, 2021**

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None reported.

San Francisco Unified School District  
State Awards Findings and Questioned Costs  
Year Ended June 30, 2021

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The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

**2021-001      Comprehensive School Safety Plan, Code 40000**

**Criteria**

EDC§32286(a): Each school shall adopt its comprehensive school safety plan by March 1, 2000, and shall review and update its plan by March 1, every year thereafter.

**Condition**

The plans were not reviewed and approved by March 1

**Questioned Costs**

There is no questioned cost associated with this condition because there is no funding related to the Comprehensive School Safety Plan.

**Context**

The condition is applicable to 4 of the 11 sampled school sites.

**Effect**

The District did not comply with the compliance requirement that every comprehensive school safety plan is updated by March 1.

**Cause**

There were challenges caused by the COVID-19 pandemic of holding the required meeting.

**Recommendation**

We recommend the management personnel responsible for compliance develop procedures to ensure all approvals are completed withing the statutory deadlines.

San Francisco Unified School District  
State Awards Findings and Questioned Costs  
Year Ended June 30, 2021

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**Management's Response/Corrective Action Plan**

The district understands California Education Codes 33280 - 32289 and acknowledges the Comprehensive School Safety Plan (CSSP) must be evaluated and amended, as needed, annually by March 1 of each year, and kept on file at both the school site AND the district office and should be readily available for inspection. The district further understands the district shall annually, by October 15th, notify the California Department of Education (CDE) of any schools that have not complied with Section 33281.

**Revised Process Going Forward:**

The CSSP, School Site Council Agenda, School Site Council Minutes and the School Site Council Sign-In Sheet will be maintained in a location for authorized district staff to comply with inspection requirements upon request.

San Francisco Unified School District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021

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Summarized below is the current status of all audit findings reported in the prior year's schedule of findings and questioned costs.

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

**2020-001      Comprehensive School Safety Plan, Code 40000**

**Finding**

The District does not maintain documentation in auditable form to show every comprehensive school safety is reviewed and approved by March 1, per Education Code.

**Recommendation**

All sites should be required to forward the approved plan to a specific person within the District office. That specific person should store the approvals in a single folder so that they may easily be produced as audit evidence

**Current Status**

See finding 2021-001.