



Financial Statements  
June 30, 2022

# San Francisco Unified School District

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## Independent Auditor's Report

To the Governing Board  
San Francisco Unified School District  
San Francisco, California

### Report on the Audit of the Financial Statements

#### *Disclaimer of Opinion*

We were engaged to audit the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the District. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### *Basis for Disclaimer of Opinion*

In January 2022 the District replaced its employee management and payroll system, which resulted in significant operational disruption. As of the date of our audit report, management was still in the process of rectifying the system deficiencies and correcting the resulting misstatements. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded financial statements amounts and disclosures. This matter is further described at 2022-001 in the schedule of finding and questioned costs.

#### *Adoption of New Accounting Standard*

As discussed in Note 1 and Note 18 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities and as of July 1, 2021, to restate beginning net position. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the District's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

### ***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 the District's contributions for OPEB, schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining nonmajor governmental fund financial statements, 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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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 the San Francisco Unified School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California  
June 26, 2023

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 33% Asian, 30% Latino, 14% White, 5% African American, 4% Filipino, 1% Pacific Islander and 13% "Other". Approximately 27% of the student population is designated as English Language Learners, 13% Special Education, and 53% is Free- and Reduced-Price 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. Matt Wayne, was hired in May 2022. In his first year as Superintendent, Dr. Wayne has collaborated with the Board of Education to begin a process to reaffirm and update our District Vision, Values, Goals, Guardrails, as well as initiate a community engagement process to gather feedback on these goals. Moving forward, SFUSD will focus on 3 goals: 3rd Grade Literacy, 8th Grade Math, and College and Career Readiness.

SFUSD students experienced disruptions in learning during the COVID-19 pandemic, which are reflected in Smarter Balanced Assessments in English Language Arts and Math; however, results show SFUSD students remaining ahead of their peers in California and in most large urban school districts. English Language Arts scores are down from 55% to 54% of District students meeting or exceeding standards but remain higher than the state average of 47%. In Math, the percentage of students who meet or exceed grade level standards as measured by the Smarter Balanced Assessment decreased from 69% in school year 2020-21 to 46% in school year 2021-22 but remains ahead of the state average of 33%.

The graduation rate for San Francisco Unified School District rose to 90.4% in 2021-22, compared to 88.3% in 2020-21 and 87% statewide.



## **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 \$45.5 million of QTEA funding in FY 2021-22.

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 \$84.4 million of PEEF revenue in 2021-22.

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 2021-22 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.

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 70 providing the adopted and final budgets compared with actual revenues and expenditures.

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

During fiscal year 2021-22, the District's unrestricted general fund ending balance, which includes nonspendable, and unassigned balances, increased from \$42.8 million to \$136.0 million, a \$93 million or 218% 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 \$733.8 million, an increase of \$130.7 million, or 17.19%, and unrestricted general fund expenditures and transfers out were \$615.4 million, an increase of \$45.2 million or 7.9%, excluding the effects of GASB 87, *Leases* for comparability. 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 decreased by 9.5% to \$276.1 million from \$305.6 million the previous year, while the employer contribution rate for teachers' retirement rose from 17.1% of certificated payroll to 20.3% of certificated payroll, a 3.15% 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 \$17.7 million are \$1.9 million or 12% higher than 2021-22 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 general fund ending balance on June 30, 2022 was \$293.0 million. The restricted portion of \$115.0 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 \$136.0 million, excluding any amounts separately designated as "rainy day" reserves. 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.

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**

|                               | <b>2021</b>       | <b>2022</b>         | <b>Variance</b>   |              |
|-------------------------------|-------------------|---------------------|-------------------|--------------|
|                               |                   |                     | <b>\$</b>         | <b>%</b>     |
| <i>(Amounts in thousands)</i> |                   |                     |                   |              |
| Local control funding formula | \$ 531,948        | \$ 595,431          | \$ 63,483         | 11.9%        |
| Federal sources               | 70,801            | 145,459             | 74,658            | 105.4%       |
| Other state sources           | 114,801           | 143,438             | 28,637            | 24.9%        |
| Local sources                 | 271,242           | 424,554             | 153,312           | 56.5%        |
|                               | <u>\$ 988,792</u> | <u>\$ 1,308,882</u> | <u>\$ 320,090</u> | <u>32.4%</u> |

**Table II**

|                                   | <b>2021</b>       | <b>2022</b>         | <b>Variance</b>   |              |
|-----------------------------------|-------------------|---------------------|-------------------|--------------|
|                                   |                   |                     | <b>\$</b>         | <b>%</b>     |
| <i>(Amounts in thousands)</i>     |                   |                     |                   |              |
| Instruction                       | \$ 501,876        | \$ 685,881          | \$ 184,005        | 36.7%        |
| Instruction related activities    | 165,517           | 148,646             | (16,871)          | -10.2%       |
| Pupil services                    | 73,379            | 134,040             | 60,661            | 82.7%        |
| General administration            | 64,830            | 72,246              | 7,416             | 11.4%        |
| Plant services                    | 65,148            | 69,315              | 4,167             | 6.4%         |
| Capital outlay                    | 7,053             | 10,107              | 3,054             | 43.3%        |
| Ancillary and enterprise services | 2,103             | 5,092               | 2,989             | 142.1%       |
| Other outgo                       | 28,824            | 28                  | (28,796)          | -99.9%       |
| Transfers out                     | 15,804            | 15,769              | (35)              | -0.2%        |
|                                   | <u>\$ 924,534</u> | <u>\$ 1,141,124</u> | <u>\$ 216,590</u> | <u>23.4%</u> |

The variances noted above are largely due to an influx of federal stimulus funding, additional financial support from the City to stabilize operations, and increases in programming to support students' academic and social emotional needs in response to COVID-19.

## 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 include 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.

### **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 the governmental fund financial statements.

### **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, 2022, the District's capital assets totaled \$2.8 billion. Accumulated depreciation was \$832.5 million at year end. Depreciation expense for the year totaled \$67.6 million. Net book value (the amount of total assets after applying depreciation) increased by \$48.6 million to \$2.0 billion.

## 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-long liabilities on June 30, 2022, and presents the changes from the previous fiscal year.

|  | 2021                | 2022                | Net Variance        |               |
|--|---------------------|---------------------|---------------------|---------------|
|  |                     |                     | \$                  | %             |
| <i>(Amounts in thousands)</i>              |                     |                     |                     |               |
| CalSTRS and SFERS unfunded pension amounts | \$ 942,537          | \$ 285,174          | \$ (657,363)        | -69.7%        |
| Post-employment medical unfunded amounts   | 1,012,296           | 1,038,792           | 26,496              | 2.6%          |
| Long-term bonded debt                      | 1,067,676           | 1,237,465           | 169,790             | 15.9%         |
| Other                                      | 39,620              | (66,612)            | (106,232)           | -268.1%       |
|  | <u>\$ 3,062,128</u> | <u>\$ 2,494,818</u> | <u>\$ (567,309)</u> | <u>-18.5%</u> |

*Totals are rounded*

The OPEB liability pension liabilities are 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 the notes to the basic financial statements.

## Financial Analysis of the District as A Whole

### Net Position

The District's net position on June 30, 2022 was \$51.9 million. Of this amount, \$1.1 billion represents our net investment in capital assets, while \$247.6 million is restricted for various purposes. The deficit unrestricted net position of \$1.3 billion includes our net pension liability and the postemployment benefits obligation.

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

The District's financial outlook relies heavily upon its ability to address its structural budget deficit, restore reserves, and address its long-term pensions and retiree benefits liabilities, all amidst the challenges of ongoing recovery from the COVID-19 pandemic and the launch of a new, complex employee information and payroll system ("EMPowerSF").



## 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 the 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.

The Board of Education ultimately approved a FY 2022-23 and 2023-24 Budget Balancing Plan that included \$49 million of expenditures reductions and \$76 million new one-time and ongoing funding sources. As the District continues to address its structural deficit and contend with declining enrollment, 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.

**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 Anne Marie Gordon, Interim Head 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 (Unaudited)  
June 30, 2022

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>  |                            |
| Cash and investments   | \$ 879,726,202             |
| Receivables  | 256,472,121                |
| Other assets   | 2,114,424                  |
| Capital assets not being depreciated                         | 7,100,000                  |
| Capital assets, net of accumulated depreciation/amortization | 1,949,242,667              |
| Total assets   | <u>3,094,655,414</u>       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                        |                            |
| Deferred charge on refunding                                 | 2,992,894                  |
| OPEB related   | 222,366,119                |
| Pension related  | 223,644,649                |
| Total deferred outflows of resources                         | <u>449,003,662</u>         |
| <b>LIABILITIES</b>   |                            |
| Accounts payable and accrued expenses                        | 150,017,596                |
| Overdrafts   | 2,009,850                  |
| Interest payable   | 2,095,174                  |
| Current loans  | 3,500,000                  |
| Unearned revenue   | 16,397,837                 |
| Noncurrent liabilities                                       |                            |
| Due within one year  |                            |
| Claims   | 6,351,632                  |
| Bonds, leases, compensated absences                          | 100,290,000                |
| Due in more than one year                                    |                            |
| Claims   | 14,589,363                 |
| Bonds, leases, compensated absences                          | 1,156,262,121              |
| Net other post-employment benefits liability                 | 1,038,791,715              |
| Aggregate net pension liability                              | 285,174,129                |
| Total liabilities  | <u>2,775,479,417</u>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                            |
| Deferred charge on refunding                                 | 5,196,572                  |
| Lease related  | 67,594,643                 |
| OPEB related   | 102,398,644                |
| Pension related  | 541,040,987                |
| Total deferred inflows of resources                          | <u>716,230,846</u>         |
| <b>NET POSITION</b>  |                            |
| Net investment in capital assets                             | 1,058,772,006              |
| Restricted for   |                            |
| Educational programs   | 129,200,230                |
| Debt service   | 74,644,049                 |
| Capital projects   | 28,960,193                 |
| Self insurance   | 14,780,987                 |
| Unrestricted (deficit)                                       | <u>(1,275,147,689)</u>     |
| Total net position   | <u>\$ 31,209,776</u>       |

San Francisco Unified School District  
Statement of Activities (Unaudited)  
Year Ended June 30, 2022

| Functions/Programs  | Expenses                | Program Revenues        |  |  | Net Revenues<br>(Expenses)<br>and Changes<br>in Net Position |
|---|-------------------------|-------------------------|--|--|--|
|   |                         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                   |
| Governmental Activities   |                         |                         |  |  |  |
| Instruction   | \$ 706,803,569          | \$ 3,477,487            | \$ 213,509,792                           | \$ 16,629,027                          | \$ (473,187,263)   |
| Instruction related activities                                  |                         |                         |  |  |  |
| Supervision of instruction                                      | 97,206,713              | 686,865                 | 66,889,234                               | 2,067,622                              | (27,562,992)   |
| Instructional library<br>and technology                         | 4,129,281               | 67,443                  | 2,323,127                                | 96,609                                 | (1,642,102)  |
| School site administration                                      | 68,981,519              | 302,974                 | 15,959,985                               | 1,418,020                              | (51,300,540)   |
| Pupil services  |                         |                         |  |  |  |
| Home-to-school transportation                                   | 34,151,363              | 201,004                 | 24,631,603                               | 697,177                                | (8,621,579)  |
| Food services   | 38,768,637              | 256,028                 | 38,224,680                               | 791,430                                | 503,501  |
| All other pupil services  | 109,574,571             | 874,003                 | 44,215,357                               | 2,409,350                              | (62,075,861)   |
| General administration  |                         |                         |  |  |  |
| Data processing   | 34,324,390              | 585,019                 | 41,464,254                               | 725,979                                | 8,450,862  |
| Plant services  | 75,686,017              | 78,289                  | 11,332,663                               | 1,545,176                              | (62,729,889)   |
| Ancillary services  | 7,554,145               | 1,177,709               | 4,053,645                                | 156,888                                | (2,165,903)  |
| Other outgo   | 9,723,324               | 301,009                 | 11,845,363                               | 197,746                                | 2,620,794  |
| Interest  | 32,542,609              | -                       | -  | -                                      | (32,542,609)   |
| Total governmental activities                                   | <u>\$ 1,219,446,138</u> | <u>\$ 8,007,830</u>     | <u>\$ 474,449,703</u>                    | <u>\$ 26,735,024</u>                   | <u>\$ (710,253,581)</u>                                      |
| General revenues  |                         |                         |  |  |  |
| Taxes, levied for general purposes                              |                         |                         |  |  | 297,960,658  |
| Taxes, levied for debt service                                  |                         |                         |  |  | 142,715,832  |
| Taxes levied for specific purposes                              |                         |                         |  |  | 267,732,162  |
| Grants and contributions not restricted to<br>specific programs |                         |                         |  |  | 318,061,974  |
| Investment earnings   |                         |                         |  |  | (8,640,569)  |
| Miscellaneous   |                         |                         |  |  | 1,104,233  |
| Subtotal, general revenues                                      |                         |                         |  |  | <u>1,018,934,290</u>   |
| Change in Net Position  |                         |                         |  |  | 308,680,709  |
| Net Position (deficit) - Beginning, restated                    |                         |                         |  |  | (256,731,896)  |
| Net Position - Ending   |                         |                         |  |  | <u>\$ 51,948,813</u>   |

San Francisco Unified School District  
Balance Sheet – Governmental Funds (Unaudited)  
June 30, 2022

|   | General<br>Fund      | Building<br>Fund     | Bond<br>Interest and<br>Redemption<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------|--|-----------------------------------|--------------------------------|
| <b>Assets</b>   |                      |                      |  |                                   |                                |
| Cash and investments  | \$328,417,031        | \$349,630,157        | \$ 76,601,477                              | \$ 83,793,275                     | \$ 838,441,940                 |
| Accounts Receivable   | 175,476,443          | 194,854              | 137,746                                    | 30,618,070                        | 206,427,113                    |
| Prepaid expenditures  | 154,652              | -                    | -  | -                                 | 154,652                        |
| Stores inventories  | 1,876,150            | -                    | -  | 83,622                            | 1,959,772                      |
| Total assets  | <u>\$505,924,276</u> | <u>\$349,825,011</u> | <u>\$ 76,739,223</u>                       | <u>\$ 114,494,967</u>             | <u>\$1,046,983,477</u>         |
| <b>Liabilities</b>  |                      |                      |  |                                   |                                |
| Overdrafts  | \$ -                 | \$ -                 | \$ -                                       | \$ 2,009,850                      | \$ 2,009,850                   |
| Accounts payable  | 80,762,727           | 7,726,598            | -  | 11,015,921                        | 99,505,246                     |
| Current loans   | -                    | -                    | -  | 3,500,000                         | 3,500,000                      |
| Due to other funds  | 50,000,000           | -                    | -  | -                                 | 50,000,000                     |
| Unearned revenue  | 14,572,530           | -                    | -  | 1,825,307                         | 16,397,837                     |
| Total liabilities   | <u>145,335,257</u>   | <u>7,726,598</u>     | <u>-</u>                                   | <u>18,351,078</u>                 | <u>171,412,933</u>             |
| <b>Deferred Inflows of Resources</b>                                      |                      |                      |  |                                   |                                |
| Related to leases   | <u>67,594,643</u>    | <u>-</u>             | <u>-</u>                                   | <u>-</u>                          | <u>67,594,643</u>              |
| <b>Fund Balances</b>  |                      |                      |  |                                   |                                |
| Nonspendable  | 2,031,302            | -                    | -  | 94,970                            | 2,126,272                      |
| Restricted  | 115,000,589          | 342,098,413          | 76,739,223                                 | 43,159,834                        | 576,998,059                    |
| Committed   | 40,000,000           | -                    | -  | 20,739,037                        | 60,739,037                     |
| Assigned  | -                    | -                    | -  | 32,150,048                        | 32,150,048                     |
| Unassigned  | 135,962,485          | -                    | -  | -                                 | 135,962,485                    |
| Total fund balances   | <u>292,994,376</u>   | <u>342,098,413</u>   | <u>76,739,223</u>                          | <u>96,143,889</u>                 | <u>807,975,901</u>             |
| Total liabilities, deferred<br>Inflows of resources, and<br>fund balances | <u>\$505,924,276</u> | <u>\$349,825,011</u> | <u>\$ 76,739,223</u>                       | <u>\$ 114,494,967</u>             | <u>\$1,046,983,477</u>         |

San Francisco Unified School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Unaudited)

June 30, 2022

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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  |                        | \$ 807,975,901         |
| 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  | 2,788,755,841          |                        |
| Accumulated depreciation/amortization is   | <u>(832,413,174)</u>   |                        |
| Net capital assets   |                        | 1,956,342,667          |
| 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.   |                        | (2,095,174)            |
| 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 in the statement of net position.  |                        | 69,875,925             |
| Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position. |                        |                        |
| Deferred outflows - pension related  | 223,644,649            |                        |
| Deferred outflows - OPEB related   | 222,366,119            |                        |
| Deferred inflows - pension related   | (626,702,918)          |                        |
| Deferred inflows - OPEB related  | <u>(16,736,713)</u>    |                        |
| Total deferred outflows and inflows related to postemployment benefits   |                        | (197,428,863)          |
| Unamortized deferred charge on refunding is recognized as a deferred outflow or deferred inflows on the statement of net position. The deferred charges are recognized in the governmental funds when they were paid.  |                        | (2,203,678)            |
| Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.  |                        |                        |
| General obligation bonds and premium payable   | (1,237,465,396)        |                        |
| Compensated absences   | (19,086,725)           |                        |
| Aggregate net pension liability  | (285,174,129)          |                        |
| Net other post-employment benefits liability   | <u>(1,038,791,715)</u> |                        |
| Total long-term liabilities  |                        | <u>(2,580,517,965)</u> |
| Total net position - governmental activities   |                        | <u>\$ 51,948,813</u>   |

San Francisco Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Unaudited)

Year Ended June 30, 2022

|  | General<br>Fund       | Building<br>Fund      | Bond Interest<br>Redemption<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------|-----------------------|-------------------------------------|-----------------------------------|--------------------------------|
| Revenues   |                       |                       |                                     |                                   |                                |
| Local control funding formula                        | \$ 595,430,529        | \$ -                  | \$ -                                | \$ 9,980,024                      | \$ 605,410,553                 |
| Federal sources                                      | 145,458,563           | -                     | -                                   | 46,669,859                        | 192,128,422                    |
| Other state sources                                  | 143,438,031           | -                     | 275,088                             | 34,961,697                        | 178,674,816                    |
| Local sources  | 424,555,203           | (9,734,143)           | 142,781,644                         | 35,226,649                        | 592,829,353                    |
| Total Revenues                                       | <u>1,308,882,326</u>  | <u>(9,734,143)</u>    | <u>143,056,732</u>                  | <u>126,838,229</u>                | <u>1,569,043,144</u>           |
| Expenditures   |                       |                       |                                     |                                   |                                |
| Current  |                       |                       |                                     |                                   |                                |
| Instruction  | 685,881,027           | -                     | -                                   | 31,404,035                        | 717,285,062                    |
| Instruction related activities:                      |                       |                       |                                     |                                   |                                |
| Supervision of instruction                           | 87,227,046            | -                     | -                                   | 8,080,635                         | 95,307,681                     |
| Instructional library and                            | 4,818,482             | -                     | -                                   | 41,559                            | 4,860,041                      |
| School site administration                           | 56,600,473            | -                     | -                                   | 7,765,618                         | 64,366,091                     |
| Pupil Services                                       |                       |                       |                                     |                                   |                                |
| Home-to-school transportation                        | 25,301,646            | -                     | -                                   | 6,364,810                         | 31,666,456                     |
| Food services  | -                     | -                     | -                                   | 32,975,326                        | 32,975,326                     |
| All other pupil services                             | 108,738,528           | -                     | -                                   | 6,936,521                         | 115,675,049                    |
| General administration                               |                       |                       |                                     |                                   |                                |
| Data processing                                      | 32,984,090            | -                     | -                                   | -                                 | 32,984,090                     |
| All other general administration                     | 39,261,599            | -                     | -                                   | 3,207,170                         | 42,468,769                     |
| Plant services                                       | 69,314,904            | -                     | -                                   | 932,971                           | 70,247,875                     |
| Ancillary services                                   | 5,092,019             | -                     | -                                   | -                                 | 5,092,019                      |
| Other outgo  | 27,879                | -                     | -                                   | -                                 | 27,879                         |
| Capital outlay                                       | 10,107,496            | 84,243,620            | -                                   | 21,780,255                        | 116,131,371                    |
| Debt service   |                       |                       |                                     |                                   |                                |
| Principal  | -                     | -                     | 122,980,000                         | 1,535,659                         | 124,515,659                    |
| Interest and other                                   | 989,966               | -                     | 40,959,164                          | 47,809                            | 41,996,939                     |
| Total Expenditures                                   | <u>1,126,345,155</u>  | <u>84,243,620</u>     | <u>163,939,164</u>                  | <u>121,072,368</u>                | <u>1,495,600,307</u>           |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>182,537,171</u>    | <u>(93,977,763)</u>   | <u>(20,882,432)</u>                 | <u>5,765,861</u>                  | <u>73,442,837</u>              |
| Other Financing Sources (Uses)                       |                       |                       |                                     |                                   |                                |
| Transfers in   | 3,779                 | 5,591,412             | -                                   | 12,088,641                        | 17,683,832                     |
| Proceeds from the sale of bonds                      | -                     | 284,250,000           | 159,316,403                         | -                                 | 443,566,403                    |
| Transfers out  | (15,768,609)          | (53,640)              | -                                   | (1,861,583)                       | (17,683,832)                   |
| Payments to escrow agent                             | -                     | -                     | (135,123,949)                       | -                                 | (135,123,949)                  |
| Net Financing Sources (Uses)                         | <u>(15,764,830)</u>   | <u>289,787,772</u>    | <u>24,192,454</u>                   | <u>10,227,058</u>                 | <u>308,442,454</u>             |
| Net change in Fund Balances                          | 166,772,341           | 195,810,009           | 3,310,022                           | 15,992,919                        | 381,885,291                    |
| Fund Balance - Beginning, restated                   | 126,222,035           | 146,288,404           | 73,429,201                          | 80,150,970                        | 426,090,610                    |
| Fund Balance - Ending                                | <u>\$ 292,994,376</u> | <u>\$ 342,098,413</u> | <u>\$ 76,739,223</u>                | <u>\$ 96,143,889</u>              | <u>\$ 807,975,901</u>          |



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 (Unaudited)  
Year Ended June 30, 2022

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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 | \$ 381,885,291 |
|--|----------------|

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 and amortization expenses in the statement of activities.

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

|  |                     |            |
|--|---------------------|------------|
| Capital asset additions - current year | \$ 116,204,643      |            |
| Less current year depreciation expense | <u>(67,605,415)</u> | 48,599,228 |

Payments for financed purchase agreements are 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.

1,535,661

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.

(148,800,000)

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

(20,989,922)

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).

(4,023,669)

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.

(80,718,208)

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.

(5,849,322)

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.

(368,882)

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 (Unaudited)  
Year Ended June 30, 2022

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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.

87,426,184

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.

49,984,348

Change in net position of governmental activities

\$ 308,680,709

San Francisco Unified School District  
Statement of Net Position – Proprietary Funds (Unaudited)  
June 30, 2022

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|   | Governmental<br>Activities<br>Internal<br>Service Fund |
|---|--|
| ASSETS                                  |  |
| Current assets                          |  |
| Cash and cash deposits                  | \$ 2,507,698   |
| Cash equivalents                        | 38,776,564   |
| Interest receivables                    | 45,008   |
| Due from other funds                    | 50,000,000   |
| Total assets                            | <u>91,329,270</u>                                      |
| LIABILITIES                             |  |
| Current liabilities                     |  |
| Accounts payable                        | 512,350  |
| Current portion of the claims liability | 6,351,632  |
| Noncurrent liabilities                  |  |
| Claims liability                        | 14,589,363   |
| Total liabilities                       | <u>21,453,345</u>                                      |
| NET POSITION                            |  |
| Restricted for self-insurance           | 14,780,987   |
| Unrestricted                            | 55,094,938   |
| Total net position                      | <u>\$ 69,875,925</u>                                   |

San Francisco Unified School District

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds (Unaudited)

Year Ended June 30, 2022

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|   | Governmental<br>Activities<br>Internal<br>Service Fund |
|---|--|
|   | <u>Service Fund</u>                                    |
| OPERATING REVENUES                        |  |
| In-district insurance premiums            | \$ 15,879,388  |
| In-district OPEB premiums                 | 55,000,000   |
| Other in-district contributions           | 5,022,313  |
| Total operating revenues                  | <u>75,901,701</u>                                      |
| OPERATING EXPENSES                        |  |
| Payroll                                   | 1,282,127  |
| Contributions to OPEB trust               | 5,000,000  |
| Claims and excess insurance premiums      | 18,690,276   |
| Total operating expenses                  | <u>24,972,403</u>                                      |
| Net operating income                      | <u>50,929,298</u>                                      |
| NONOPERATING REVENUES                     |  |
| Investment earning                        | 242,362  |
| Net decrease in fair value of investments | <u>(1,187,312)</u>                                     |
| Total nonoperating revenues               | <u>(944,950)</u>                                       |
| Change in Net Position                    | 49,984,348   |
| Net Position - Beginning                  | 19,891,577   |
| Net Position - Ending                     | <u>\$ 69,875,925</u>                                   |

San Francisco Unified School District  
Statement of Cash Flows – Proprietary Funds (Unaudited)  
Year Ended June 30, 2022

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|  | Governmental<br>Activities<br>Internal<br>Service Fund |
|--|--|
| <b>Cash Flows from Operating Activities</b>  |  |
| Receipts from interfund charges for risk management services                               | \$ 20,901,701  |
| Receipts from interfund charges for post-employment medical benefits                       | 5,000,000  |
| Cash disbursements to the CalPERS CERBT trust for post-employment medical benefits         | (5,000,000)  |
| Payments to providers of insurance and related claims                                      | (20,770,082)   |
| Payments to employees for salaries and benefits  | <u>(1,102,405)</u>                                     |
| Net cash used for operating activities   | <u>(970,786)</u>                                       |
| <b>Cash Flows for Investing Activities</b>   |  |
| Interest on Investments  | <u>(966,134)</u>                                       |
| <b>Net Increase in Cash and Cash Equivalents</b>   | (1,936,920)  |
| Cash and Cash Equivalents - Beginning of Year  | 43,221,182   |
| Cash and Cash Equivalents - End of Year  | <u><u>\$ 41,284,262</u></u>                            |
| <b>Reconciliation of Operating Income to Net Cash Used for Operating Activities</b>        |  |
| Operating income   | <u>\$ 50,929,298</u>                                   |
| <b>Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities</b> |  |
| Increase in receivables  | (50,000,000)   |
| Decrease in Accrued Liabilities and Interfund Balances                                     | <u>(1,900,084)</u>                                     |
| Net cash used for operating activities   | <u><u>\$ (970,786)</u></u>                             |

San Francisco Unified School District  
Statement of Net Position – Fiduciary Funds (Unaudited)  
June 30, 2022

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|   | <u>Custodial Fund</u> |
|---|-----------------------|
| ASSETS  |                       |
| Investments                                       | \$ 7,581,248          |
| Receivables                                       | 49,063                |
| Total Assets                                      | <u>7,630,311</u>      |
| LIABILITIES                                       |                       |
| Salaries and benefits payable                     | 7,351,440             |
| Vendor payables                                   | <u>278,870</u>        |
| Total Liabilities                                 | <u>7,630,310</u>      |
| NET POSITION                                      |                       |
| Restricted for payroll related taxes and benefits | <u>\$ 1</u>           |

San Francisco Unified School District  
Statement of Changes in Net Position – Fiduciary Funds (Unaudited)  
Year Ended June 30, 2022

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|   | <u>Custodial Funds</u> |
|---|------------------------|
| Additions                                     |                        |
| Contributions                                 |                        |
| Deposits from districts                       | <u>\$ 78,032,006</u>   |
| Investment earnings                           |                        |
| Net increase in the fair value of investments | <u>(1,806)</u>         |
| Total additions                               | <u>78,030,200</u>      |
| Deductions                                    |                        |
| Payments on behalf of districts               | <u>78,032,005</u>      |
| Net change in fiduciary net position          | <u>(1,805)</u>         |
| Net Position - Beginning                      | <u>1,806</u>           |
| Net Position - Ending                         | <u><u>\$ 1</u></u>     |

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The San Francisco Unified School District (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 childcare, elementary and secondary education in the City and County of San Francisco, California. As of the prior fiscal year, 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.

### **Other Related Entities**

**Charter Schools** As of the prior fiscal year, 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.

**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.

**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).

### **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.

- **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.
- **Adult Education Fund** The adult education fund is used to account separately for federal, state, and local revenues for adult education programs and is to be expended for adult education purposes only.
- **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.).

- **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).
- **State School Building Fund** The State School Building Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Education Code Section 17000 et seq.).
- **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. 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.

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 governmental 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.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial 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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function and exclude 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. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation and amortization. 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 program or business segment 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 placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

- **Governmental Funds** All governmental funds are accounted for using the 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 manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of 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 changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. 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 flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

#### 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 a 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, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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 restrictions. On a 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. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds at the time items are transferred from the warehouse to the schools and offices.

### **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. The District maintains a capitalization threshold of \$10,000. 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

#### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net position, except for the net residual amounts due between governmental activities, which are presented as internal balances.

#### **Compensated Absences**

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. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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. 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.

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

| Balance<br>July 1, 2021 | Additions    | Deductions | Balance<br>June 30, 2022 | Due in<br>one year |
|-------------------------|--------------|------------|--------------------------|--------------------|
| 15,063,056              | \$ 5,021,019 | \$ 997,350 | \$ 21,081,425            | \$ 3,817,345       |

#### **Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund 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 liabilities of the governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

#### **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 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 assets 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.

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 assets 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, deferred inflows of resources related to lease, 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.

### **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's 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.

## Leases

*As Lessee:* At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

*As Lessor:* The District is a lessor for multiple noncancellable building leases. Accordingly, the District recognizes a lease receivable and a deferred inflow of resources.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses the U.S. Treasury state and local government securities (SLGS) rates as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

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 governing board. The governing board 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 adopted policy, only the governing board or chief business officer/assistant superintendent of business services 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 committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The State of California requires all school districts with average daily attendance of 1,001 to 30,000 to maintain an unrestricted general fund reserve for economic uncertainty of not less than three percent of total general fund expenditures and other uses.

### **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. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Interfund Activity**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities' columns of the Statement of Activities, except for the net residual amounts transferred between governmental activities.

### **Estimates**

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

### **Property Tax**

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

### **Change in Accounting Principles**

As of July 1, 2021, the District adopted GASB 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.

## Note 2 - Deposits and Investments

### Summary of Cash and Investments

Deposits and investments on June 30, 2022, are classified in the accompanying financial statements as follows:

|                                |                    |                              |
|--------------------------------|--------------------|------------------------------|
| Governmental funds             | \$ 838,441,940     |                              |
| Less deficit cash (overdraft)  | <u>(2,009,850)</u> |                              |
| Governmental funds             |                    | \$ 836,432,090               |
| Proprietary fund               |                    | 41,284,262                   |
| Fiduciary funds                |                    | <u>7,581,248</u>             |
| Total Deposits and Investments |                    | <u><u>\$ 885,297,600</u></u> |

Deposits and investments as of June 30, 2022, consist of the following:

|                                |                    |                              |
|--------------------------------|--------------------|------------------------------|
| Cash on hand and in banks      |                    | \$ 6,595,694                 |
| Deposits with county treasurer | 877,211,756        |                              |
| Less: deficit cash (overdraft) | <u>(2,009,850)</u> |                              |
| Deposits with county treasurer |                    | 875,201,906                  |
| Investments                    |                    | <u>3,500,000</u>             |
| Total Deposits and Investments |                    | <u><u>\$ 885,297,600</u></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.

### General Authorizations

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

| Authorized<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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                                   |

### **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 569 days on June 30, 2022.

### **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, 2022.

### **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, 2022, the District's bank balances were 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. The District has not calculated the amount subject to this risk.

### **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, 2022 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.

### Note 3 - Accounts Receivable

Receivables at June 30, 2022, consisted of intergovernmental grants, leases, interest and other local sources. All receivables are considered collectible in full.

|                       | General Fund          | Building Fund     | Bond Interest and Redemption Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------|-----------------------|-------------------|-----------------------------------|-----------------------------|--------------------------|
| Intergovernmental     | \$ 89,758,482         | \$ -              | \$ -                              | \$ 26,567,939               | \$ 116,326,421           |
| Leases                | 65,887,493            | -                 | -                                 | -                           | 65,887,493               |
| Taxes and other local | 19,830,468            | 194,854           | 137,746                           | 4,050,131                   | 24,213,199               |
| Total                 | <u>\$ 175,476,443</u> | <u>\$ 194,854</u> | <u>\$ 137,746</u>                 | <u>\$ 30,618,070</u>        | <u>\$ 206,427,113</u>    |

### Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

|  | Balance<br>June 30, 2021 | Additions            | Deletions   | Balance<br>June 30, 2022 |
|--|--------------------------|----------------------|-------------|--------------------------|
| Governmental Activities                        |                          |                      |             |                          |
| Capital assets not depreciated                 |                          |                      |             |                          |
| Land   | \$ 7,100,000             | \$ -                 | \$ -        | \$ 7,100,000             |
| Capital assets, being depreciated/amortized    |                          |                      |             |                          |
| Buildings and improvements                     | 2,613,087,784            | 116,023,359          | -           | 2,729,111,143            |
| Furniture and equipment                        | 52,363,414               | 181,284              | -           | 52,544,698               |
| Total capital assets                           | <u>2,672,551,198</u>     | <u>116,204,643</u>   | <u>-</u>    | <u>2,788,755,841</u>     |
| Less accumulated depreciation/amortization for |                          |                      |             |                          |
| Buildings and improvements                     | (717,474,522)            | (65,702,361)         | -           | (783,176,883)            |
| Furniture and equipment                        | (47,333,237)             | (1,903,054)          | -           | (49,236,291)             |
| Total accumulated depreciation/amortization    | <u>(764,807,759)</u>     | <u>(67,605,415)</u>  | <u>-</u>    | <u>(832,413,174)</u>     |
| Total governmental activities capital assets   | <u>\$ 1,907,743,439</u>  | <u>\$ 48,599,228</u> | <u>\$ -</u> | <u>\$ 1,956,342,667</u>  |

Depreciation and amortization expenses were charged as a direct expense to governmental and business-type functions as follows:

|  |               |
|--|---------------|
| Governmental Activities  |               |
| Instruction  | \$ 39,771,323 |
| Supervision of instruction   | 5,267,807     |
| Instructional library and technology                                 | 268,622       |
| School site administration   | 3,999,789     |
| Home to school transportation  | 1,750,256     |
| Food services  | 1,982,605     |
| All other pupil services   | 6,113,607     |
| Ancillary services   | 396,753       |
| Community services   | -             |
| Enterprise activities  | 1,541         |
| All general administration   | 2,347,234     |
| Data processing services   | 1,823,166     |
| Plant services   | 3,882,712     |
|  | <hr/>         |
| Total depreciation and amortization expense, governmental activities | \$ 67,605,415 |
|  | <hr/>         |

## Note 5 - Leases

### Lessor Activities

The District has accrued lease receivables for multiple building and ground leases. The remaining receivable and deferred inflows of resources for these leases was \$65,887,493 and \$67,594,642 as of June 30, 2022. Interest revenue recognized on these leases was \$234,137 for the year ended June 30, 2022. Principal receipts of \$8,107,365 were recognized as revenue during the fiscal year. Final receipt is expected in fiscal year 2060.

### Regulated Leases

The District has charter school facilities program use agreements with 11 charter organizations, as required by statute. California Education Code (EC) Section 47614 was amended in November 2000, with the intent that public school facilities are shared among all public school pupils, including those in charter schools. EC Section 47614 requires that school districts make available, to all charter schools operating in their school district with projections of at least 80 units of average daily attendance (ADA), facilities that will sufficiently accommodate all of the charter's in-district students, and that facilities be "reasonably equivalent" to other classrooms, buildings, or facilities in the district. EC Section 47614(b)(1) states that school districts may charge a charter school a pro-rata share of the facilities costs which the school district pays for with unrestricted general fund revenues. The pro-rata share is based on the ratio of space allocated by the school district to the charter school divided by the total space of the district. Charter schools shall not be otherwise charged for use of the facilities.

## Note 6 - 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.

| Transfer out                | Transfers in |               |                             |                          |
|-----------------------------|--------------|---------------|-----------------------------|--------------------------|
|                             | General Fund | Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
| General fund                | \$ -         | \$ 3,729,829  | \$ 12,038,780               | \$ 15,768,609            |
| Building fund               | 3,779        | -             | 49,861                      | 53,640                   |
| Nonmajor governmental funds | -            | 1,861,583     | -                           | 1,861,583                |
| Total interfund transfers   | \$ 3,779     | \$ 5,591,412  | \$ 12,088,641               | \$ 17,683,832            |

|   |                      |
|---|----------------------|
| The General Fund transferred to Child development fund as a subsidy.                              | \$ 1,715,018         |
| The General Fund transferred to Building Fund for reimbursements.                                 | 3,729,829            |
| The General Fund transferred to Deferred maintenance for contributions.                           | 8,740,292            |
| The Building Fund transferred to General Fund for moving expenditures reimbursements.             | 3,779                |
| The Building Fund transferred to Mello-Roos Fund for reimbursements.                              | 49,861               |
| The County School Facilities Fund transferred to Building Fund for reimbursements.                | 1,837,341            |
| The Mello-Roos Capital Project Fund transferred to Building Fund for construction reimbursements. | 24,242               |
| The general Fund transferred to Special Reserve capital for construction reimbursments.           | 1,583,470            |
| Total interfund transfers   | <u>\$ 17,683,832</u> |

## Note 7 - Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities at June 30, 2022, consisted of the following:

|                       | General Fund         | Building Fund       | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------|----------------------|---------------------|-----------------------------|--------------------------|
| Trade payables        | \$ 32,465,017        | \$ 7,726,598        | \$ 9,375,195                | \$ 49,566,810            |
| Intergovernmental     | 16,187,573           | -                   | 1,607,548                   | 17,795,121               |
| Salaries and benefits | 30,610,137           | -                   | 33,178                      | 30,643,315               |
| Claims reserve        | 1,500,000            | -                   | -                           | 1,500,000                |
| Total                 | <u>\$ 80,762,727</u> | <u>\$ 7,726,598</u> | <u>\$ 11,015,921</u>        | <u>\$ 99,505,246</u>     |

**Note 8 - Unearned Revenue**

Unearned revenue at June 30, 2022, consisted of the following:

|                                 | General Fund         | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------|----------------------|-----------------------------------|--------------------------------|
| Federal financial assistance    | \$ 5,226,346         | \$ 1,456,799                      | \$ 6,683,145                   |
| State categorical aid           | 8,744,268            | 21,214                            | 8,765,482                      |
| School facilities apportionment | -                    | 347,294                           | 347,294                        |
| Local and other                 | 601,916              | -                                 | 601,916                        |
| Total                           | <u>\$ 14,572,530</u> | <u>\$ 1,825,307</u>               | <u>\$ 16,397,837</u>           |

**Note 9 - 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 placed 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:

| Issue Date | Rate  | Maturity Date | Outstanding<br>June 30, 2021 | Additions   | Payments             | Outstanding<br>June 30, 2022 |
|------------|-------|---------------|------------------------------|-------------|----------------------|------------------------------|
| 2/23/2021  | 2.00% | 12/31/2021    | <u>\$100,000,000</u>         | <u>\$ -</u> | <u>\$100,000,000</u> | <u>\$ -</u>                  |

**Note 10 - Long-Term Liabilities**

**Summary**

The changes in the District's long-term debt, financed purchase agreements, and lease during the year consisted of the following (in thousands):

|                               | Balance<br>July 1, 2021 | Additions         | Deductions          | Balance<br>June 30, 2022 | Due in<br>one year |
|-------------------------------|-------------------------|-------------------|---------------------|--------------------------|--------------------|
| Governmental Activities       |                         |                   |                     |                          |                    |
| Bonds payable                 |                         |                   |                     |                          |                    |
| General obligation bonds      | \$ 969,800              | \$ 406,300        | \$ (257,500)        | \$ 1,118,600             | \$ 89,950          |
| Premiums                      | 97,875                  | 37,266            | (16,276)            | 118,865                  | 10,340             |
| Total bonds payable           | <u>1,067,675</u>        | <u>443,566</u>    | <u>(273,776)</u>    | <u>1,237,465</u>         | <u>100,290</u>     |
| Financed purchase             | <u>1,536</u>            |                   | <u>(1,536)</u>      | <u>-</u>                 | <u>-</u>           |
| Total governmental activities | <u>\$ 1,069,211</u>     | <u>\$ 443,566</u> | <u>\$ (275,312)</u> | <u>\$ 1,237,465</u>      | <u>\$ 100,290</u>  |

San Francisco Unified School District  
Notes to Financial Statements (Unaudited)  
June 30, 2022

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.

**Outstanding General Obligation Bonded Debt (in thousands)**

| Bond Issuance               | Issue Date | Maturity Date | Interest Rate | Original Issue | June 30, 2021            | Additions (deletions) | June 30, 2022              |
|-----------------------------|------------|---------------|---------------|----------------|--------------------------|-----------------------|----------------------------|
| 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                     |
| 2011, Series 2014B          | 01/23/14   | 6/15/33       | 3.0%-5.0%     | 205,000        | 143,850                  | (143,850)             | -                          |
| 2006, Series 2015F          | 10/08/15   | 6/15/35       | 3.0%-5.0%     | 15,000         | 11,875                   | (640)                 | 11,235                     |
| 2011, Series 2015C          | 10/08/15   | 6/15/35       | 3.0%-5.0%     | 211,000        | 166,950                  | (9,010)               | 157,940                    |
| 2015 Refunding              | 10/08/15   | 6/15/26       | 2.0%-5.0%     | 63,655         | 27,840                   | (8,850)               | 18,990                     |
| 2016, Series 2016A          | 03/17/17   | 6/15/24       | 2.0%-5.0%     | 180,000        | 135,295                  | (5,815)               | 129,480                    |
| 2017 Refunding              | 03/17/17   | 6/15/37       | 2.0%-5.0%     | 53,890         | 33,170                   | (10,590)              | 22,580                     |
| 2016, Series 2020B          | 08/20/20   | 6/15/40       | 0.18-4.0%     | 280,000        | 225,915                  | (16,050)              | 209,865                    |
| 2020 Refunding              | 08/20/20   | 6/15/32       | 4.00%         | 166,285        | 139,580                  | (23,740)              | 115,840                    |
| 2016 Election, Series 2022C | 05/13/22   | 6/15/42       | 5.00%         | 284,250        | -                        | 245,295               | 245,295                    |
| 2022 Refunding              | 05/13/22   | 6/15/33       | 5.00%         | 122,050        | -                        | 122,050               | 122,050                    |
|                             |            |               |               |                | <u>\$ 969,800</u>        | <u>\$ 148,800</u>     | <u>\$ 1,118,600</u>        |
|                             |            |               |               |                | Unamortized bond premium |                       | 118,865                    |
|                             |            |               |               |                | Total                    |                       | <u><u>\$ 1,237,465</u></u> |

**Debt Service Requirement to Maturity** (in thousands)

| Fiscal Year | Principal           | Interest to<br>Maturity | Total               |
|-------------|---------------------|-------------------------|---------------------|
| 2023        | \$ 89,950           | \$ 49,962               | \$ 139,912          |
| 2024        | 95,715              | 45,472                  | 141,187             |
| 2025        | 77,190              | 40,910                  | 118,100             |
| 2026        | 72,320              | 37,381                  | 109,701             |
| 2027        | 72,860              | 33,954                  | 106,814             |
| 2028-2032   | 338,625             | 121,440                 | 460,065             |
| 2033-2037   | 245,850             | 55,482                  | 301,332             |
| 2038-2042   | 126,090             | 15,263                  | 141,353             |
| Total       | <u>\$ 1,118,600</u> | <u>\$ 399,863</u>       | <u>\$ 1,518,463</u> |

**Debt Refunding**

On May 12, 2022, the District issued \$122,050,000 million in general obligation bonds with an interest rate of 5.0 percent to advance refund \$186,745,000 million of Proposition A, Election of 2011 Series B (2014) with an interest rate range of 5.00 percent to 4.24 percent. The net proceeds of \$137,326,631 (including premiums and funds related to the prior bonds of \$15,880,270 and costs of issuance of \$603,949) 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 (\$137,326,631 placed with the escrow agent) and the net carrying amount of the old debt (\$142,578,290 of bond principal and unamortized bond premiums) in the amount of \$5,251,659. The advance refunding decreases the total debt service payments, inclusive of principal and interest, over the next 11 years by \$7,502,856 and results in an economic gain (difference between the present values of the old and new debt service payments) of \$5,665,349.

**Series 2022 Bonds**

The District received authorization to issue bonds of the District in an aggregate principal amount not to exceed \$744,250,000 to finance specific school facility construction, repair and improvement projects pursuant to an election held on November 8, 2016 (2016 Proposition A). The Series 2022 Bonds were sold on May 12, 2022 to finance authorized construction projects. The Series 2022 bonds mature through fiscal year 2042 and have an interest rate range of 5.0%.

**Note 11 - Fund Balances**

Fund balances are composed of the following elements on June 30, 2022:

|                                    | General Fund          | Building Fund         | Bond<br>Interest and<br>Redemption<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------|-----------------------|-----------------------|--|-----------------------------------|--------------------------------|
| <b>Nonspendable</b>                |                       |                       |  |                                   |                                |
| Revolving cash                     | \$ 500                | -                     | -  | \$ 11,348                         | \$ 11,848                      |
| Stores inventories                 | 1,876,150             | -                     | -  | 83,622                            | 1,959,772                      |
| Prepaid expenditures               | 154,652               | -                     | -  | -                                 | 154,652                        |
| <b>Total nonspendable</b>          | <b>2,031,302</b>      | <b>-</b>              | <b>-</b>                                   | <b>94,970</b>                     | <b>2,126,272</b>               |
| <b>Restricted</b>                  |                       |                       |  |                                   |                                |
| Purpose of the grant               | 44,653,412            | -                     | -  | 33,297                            | 44,686,709                     |
| QTEA programs                      | 5,671,987             | -                     | -  | -                                 | 5,671,987                      |
| LWEA programs                      | 11,646,112            | -                     | -  | -                                 | 11,646,112                     |
| PEEF programs                      | 20,680,609            | -                     | -  | -                                 | 20,680,609                     |
| Other local programs               | 32,348,469            | -                     | -  | -                                 | 32,348,469                     |
| Student body activities            | -                     | -                     | -  | 4,068,770                         | 4,068,770                      |
| Child development programs         | -                     | -                     | -  | 4,659,461                         | 4,659,461                      |
| Child nutrition programs           | -                     | -                     | -  | 5,438,113                         | 5,438,113                      |
| Capital projects                   | -                     | 342,098,413           | -  | 28,960,193                        | 371,058,606                    |
| Debt services                      | -                     | -                     | 76,739,223                                 | -                                 | 76,739,223                     |
| <b>Total restricted</b>            | <b>115,000,589</b>    | <b>342,098,413</b>    | <b>76,739,223</b>                          | <b>43,159,834</b>                 | <b>576,998,059</b>             |
| <b>Committed</b>                   |                       |                       |  |                                   |                                |
| Special Education                  | -                     | -                     | -  | 8,097,357                         | 8,097,357                      |
| Deferred maintenance               | -                     | -                     | -  | 12,641,680                        | 12,641,680                     |
| Other                              | 40,000,000            | -                     | -  | -                                 | 40,000,000                     |
| <b>Total committed</b>             | <b>40,000,000</b>     | <b>-</b>              | <b>-</b>                                   | <b>20,739,037</b>                 | <b>60,739,037</b>              |
| <b>Assigned</b>                    |                       |                       |  |                                   |                                |
| Child development                  | -                     | -                     | -  | 59,786                            | 59,786                         |
| Adult education                    | -                     | -                     | -  | 257,131                           | 257,131                        |
| Deferred maintenance               | -                     | -                     | -  | -                                 | -                              |
| Special education                  | -                     | -                     | -  | -                                 | -                              |
| Capital projects                   | -                     | -                     | -  | 31,833,131                        | 31,833,131                     |
| <b>Total assigned</b>              | <b>-</b>              | <b>-</b>              | <b>-</b>                                   | <b>32,150,048</b>                 | <b>32,150,048</b>              |
| <b>Unassigned</b>                  |                       |                       |  |                                   |                                |
| Reserve for economic uncertainties | 88,242,275            | -                     | -  | -                                 | 88,242,275                     |
| Remaining unassigned               | 47,720,210            | -                     | -  | -                                 | 47,720,210                     |
| <b>Total unassigned</b>            | <b>135,962,485</b>    | <b>-</b>              | <b>-</b>                                   | <b>-</b>                          | <b>135,962,485</b>             |
| <b>Total fund balances</b>         | <b>\$ 292,994,376</b> | <b>\$ 342,098,413</b> | <b>\$ 76,739,223</b>                       | <b>\$ 96,143,889</b>              | <b>\$ 807,975,901</b>          |

**Note 12 - Net Other Postemployment Benefit (OPEB) Liability**

As of June 30, 2022 the District reported the following amounts for net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

| Net<br>OPEB<br>Liability | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources | OPEB<br>Expense       |
|--------------------------|--------------------------------------|-------------------------------------|-----------------------|
| <u>\$ 1,038,791,715</u>  | <u>\$ 222,366,119</u>                | <u>\$ 102,398,644</u>               | <u>\$ 117,889,377</u> |

**General Information About the OPEB Plan**

**Plan Description**

In addition to providing pension benefits, the District participates in the City and County of San Francisco Health Service System (HSS) program to provide certain health care benefits for retired employees and their spouses. The District's Other Postemployment Benefit Plan (OPEB Plan) is an agent multiple employer defined benefit plan.

**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, 2021 measurement date, the benefit terms covered the following employees:

|   |               |
|---|---------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 4,884         |
| Inactive employees entitled to but not yet receiving benefits payments*   | -             |
| Active employees  | 7,868         |
|   | <u>12,752</u> |

\* The OPEB actuary was not provided with information about any terminated, vested employees.

### **Net OPEB Liability of the District and Actuarial Assumptions**

The District's net OPEB liability of \$1,039 million was measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2021, using an actuarial valuation as of June 30, 2021. A summary of the principal assumptions and methods used to determine the net OPEB liability is shown below.

|                             |  |
|-----------------------------|--|
| Inflation                   | 2.50 percent   |
| Salary increases            | 2.75 percent, average, including inflation                             |
| Discount rate               | 2.81 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.
- 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.

### **Change of Assumptions**

During the measurement period 2021 actuarial assumptions were changed as follows: 1) The interest assumption changed from 2.30% to 2.81%. 2) The discount rate was changed from 2.30% to 2.81%. 3) Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

### **Discount Rate**

The interest assumption reflects the Bond Buyer 20 Index on June 30, 2021. The actuary used the municipal bond rate beyond 24 years to result in an equivalent valuation rate of 2.81%.

### **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, 2021, the District contributed \$36.8 million to the Plan which was used for current premiums.

### **Investment Policy**

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.

### Changes in the Net OPEB Liability

The following table shows the changes in the net OPEB liability:

|   | Increase (Decrease)            |                                       |                                    |
|---|--------------------------------|---------------------------------------|------------------------------------|
|   | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balance at June 30, 2021                              | \$ 1,039,085,972               | \$ 26,790,153                         | \$ 1,012,295,819                   |
| Service cost  | 84,611,510                     | -                                     | 84,611,510                         |
| Interest  | 24,499,239                     | 5,264,751                             | 19,234,488                         |
| Differences between expected and<br>actual experience | (47,191,030)                   | -                                     | (47,191,030)                       |
| Contributions as Benefit Payments                     | -                              | 36,772,723                            | (36,772,723)                       |
| Changes of assumptions or other inputs                | 6,603,899                      | -                                     | 6,603,899                          |
| Benefit payments                                      | (36,772,723)                   | (36,772,723)                          | -                                  |
| Administrative expense                                | -                              | (9,752)                               | 9,752                              |
| Net change  | 31,750,895                     | 5,254,999                             | 26,495,896                         |
| Balance at June 30, 2022                              | <u>\$ 1,070,836,867</u>        | <u>\$ 32,045,152</u>                  | <u>\$ 1,038,791,715</u>            |

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability as of the measurement date, calculated using a discount rate of 2.81 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower and higher than the current discount rate:

| Discount Rate                 | Net OPEB<br>Liability |
|-------------------------------|-----------------------|
| 1% decrease (1.81%)           | \$ 1,217,640,205      |
| Current discount rate (2.81%) | 1,038,791,715         |
| 1% increase (3.81%)           | 895,258,690           |

### Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability as of the measurement date, calculated using a healthcare cost trend rate of 4.00 percent, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower and higher than the current discount rate:

| Healthcare Cost Trend Rates                | Net OPEB<br>Liability |
|--|-----------------------|
| 1% decrease (3.00%)                        | \$ 868,262,192        |
| Current healthcare cost trend rate (4.00%) | 1,038,791,715         |
| 1% increase (5.00%)                        | 1,261,842,041         |

### OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$117.9 million for the OPEB plan. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred (Inflows)<br>of Resources |
|---|-----------------------------------|------------------------------------|
| OPEB contributions subsequent to measurement date                             | \$ 37,171,169                     | \$ -                               |
| Differences between expected and actual experience                            | 880,580                           | (82,838,090)                       |
| Changes of assumptions  | 184,314,370                       | (16,736,713)                       |
| Net difference between projected and actual earnings on OPEB plan investments | -                                 | (2,823,841)                        |
| Total   | <u>\$ 222,366,119</u>             | <u>\$ (102,398,644)</u>            |

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the net OPEB liability in the fiscal year ended June 30, 2023. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2023                   | \$ 10,509,919                                  |
| 2024                   | 10,509,919                                     |
| 2025                   | 10,595,365                                     |
| 2026                   | 10,540,028                                     |
| 2027                   | 11,244,770                                     |
| Thereafter             | 29,396,305                                     |
|                        | \$ 82,796,306                                  |

### **Note 13 - Risk Management**

The District's risk management activities are recorded in the general fund (01) and self-insurance fund (67). Employee life, supplemental health, and disability insurance programs are administered through the purchase of commercial insurance. Employee dental and workers' compensation insurance is provided on a self-funded basis.

Excess insurance coverage with Statutory Limits is purchased from Arch Insurance Group for workers' compensation losses of more than \$500,000 per claim (self-insured retention, or SIR). The District is also self-insured for excess property, general liability, crime, cyber and terrorism losses, and carries excess insurance coverage for each.

The District maintains excess property coverage through a layered approach for losses up to \$300,000,000 per occurrence, with a \$100,000 SIR. A layered coverage approach is also used for the General Liability insurance program with limits of \$55 million per occurrence, and a \$2,000,000 self-insured retention per claim. As part of that structure the District is a member of the 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 also purchases student accident insurance which provides \$25,000 in coverage for families whose student was injured in an accident during school time. Coverage for excess earthquake losses is not maintained.

For excess insurance programs there have been no significant reductions in insurance coverage to date. However, beginning in fiscal year 2020-21 the District's historic SIR of \$250,000 increased to two million dollars as a result of a hard insurance market for excess general liability and sexual abuse and molestation insurance coverage. To reduce the District's SIR and bring additional stability to the general liability insurance program, SFUSD became a member of the Alliance for Schools Cooperative Insurance Programs (ASCIP), a JPA, effective July 1, 2022.

There were no settlements that surpassed the District's SIR(s) during the fiscal year.

#### 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, 2020 to June 30, 2022:

|                                  | Total                |
|----------------------------------|----------------------|
| Liability Balance, June 30, 2020 | 28,746,065           |
| Claims and changes in estimates  | 9,079,563            |
| Claims payments                  | (14,804,827)         |
| Liability Balance, June 30, 2021 | 23,020,801           |
| Claims and changes in estimates  | 16,610,470           |
| Claims payments                  | (18,690,276)         |
| Liability Balance, June 30, 2022 | <u>\$ 20,940,995</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.

The District's net pension liability for each plan is measured as the total pension liability, less each plan's fiduciary net position. Net pension liability is measure as of June 30, 2021 (measurement date), using the actuarial valuation reports as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

For the fiscal year ended June 30, 2022, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each plan as follows:

| Pension Plan | Net Pension Liability<br>(Asset) | Deferred Outflows<br>of Resources | Deferred Inflows of<br>Resources | Pension Expense<br>(Credit) |
|--------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------|
| CalSTRS      | \$ 362,752,129                   | \$ 188,239,918                    | \$ (351,831,987)                 | \$ 40,302,748               |
| SFERS        | (77,578,000)                     | 35,404,731                        | (189,209,000)                    | (30,254,679)                |
| Aggregate    | <u>\$ 285,174,129</u>            | <u>\$ 223,644,649</u>             | <u>\$ (541,040,987)</u>          | <u>\$ 10,048,069</u>        |

## **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, 2020, 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.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

|   | STRP Defined Benefit Program |                    |
|---|------------------------------|--------------------|
|   | On or before                 | On or after        |
| Hire date   | December 31, 2012            | January 1, 2013    |
| 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                       | 19.10%                       | 19.10%             |
| Required state contribution rate                          | 8.328%                       | 8.328%             |

### 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, 2022, are presented above.

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

At June 30, 2022, 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                               | \$ 362,752,129        |
| State's proportionate share of the net pension liability associated with the District | 182,522,802           |
| Total   | <u>\$ 545,274,931</u> |

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, was 0.7971 percent and 0.7959 percent respectively, resulting in a net increase in the proportionate share of 0.0273 percent.



For the year ended June 30, 2022, the District recognized pension expense of \$40.3 million. In addition, the District recognized pension expense and revenue of \$12.4 million for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date   | \$ 69,140,729                     | \$ -                             |
| Net change in proportionate share of net pension liability   | 66,792,353                        | 26,281,321                       |
| Changes of assumptions   | 51,398,122                        | -                                |
| Difference between projected and actual earnings on pension plan investments                         | -                                 | 286,946,276                      |
| Differences between expected and actual experience in the measurement of the total pension liability | 908,714                           | 38,604,390                       |
| Total  | <u>\$ 188,239,918</u>             | <u>\$ 351,831,987</u>            |

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 fiscal year end June 30, 2023. The remaining deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred Outflows/(Inflows)<br>of Resources |
|------------------------|---|
| 2023                   | \$ (54,702,830)                             |
| 2024                   | (31,866,549)                                |
| 2025                   | (61,547,343)                                |
| 2026                   | (76,189,490)                                |
| 2027                   | (2,752,188)                                 |
| Thereafter             | (5,674,398)                                 |
| Total                  | <u>\$ (232,732,798)</u>                     |

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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is seven years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred Outflows/(Inflows)<br>of Resources |
|------------------------|---|
| 2023                   | \$ 18,164,316                               |
| 2024                   | 34,783,083                                  |
| 2025                   | 6,756,308                                   |
| 2026                   | 2,936,357                                   |
| 2027                   | (2,752,188)                                 |
| Thereafter             | (5,674,398)                                 |
| Total                  | <u>\$ 54,213,478</u>                        |

#### 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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                      |
|---------------------------|--------------------------------------|
| Valuation date            | June 30, 2020                        |
| Measurement date          | June 30, 2021                        |
| Experience study          | July 1, 2015 through June 30, 2018   |
| Actuarial cost method     | Individual entry age normal          |
| Discount rate             | 7.10%                                |
| Investment rate of return | 7.00%, net of administrative expense |
| 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.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS Board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary 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, are summarized in the following table:

| Asset Class                | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|--|
| Public equity              | 42%                      | 4.75%                                  |
| Private equity             | 13%                      | 6.25%                                  |
| Real estate                | 15%                      | 3.55%                                  |
| Inflation sensitive        | 6%                       | 3.25%                                  |
| Fixed income               | 12%                      | 1.25%                                  |
| Risk mitigating strategies | 10%                      | 1.75%                                  |
| Cash/liquidity             | 2%                       | -0.35%                                 |
|                            | <u>100%</u>              |  |

### 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 of 7.10 percent and assume 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%)           | \$ 738,433,500        |
| Current discount rate (7.10%) | 362,752,129           |
| 1% increase (8.10%)           | 50,943,765            |

### 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<br>Annual Payroll | General<br>Fund | County School<br>Fund | Child Development<br>Fund | Total State<br>Contribution |
|------------------------------|-----------------|-----------------------|---------------------------|-----------------------------|
| 8.987%                       | \$ 46,066,708   | \$ 3,501,013          | \$ 1,670,729              | \$ 51,238,450               |

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

#### Plan Description

The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (Plan) established to provide pension benefits for substantially all employees of the City and County of San Francisco (City and County), certain classified and certificated employees of the Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. 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. The City and County Charter (Charter) and the Administrative Code are the authorities that establish and amend the benefit provisions and the employer and member obligations to the Plan.

The Retirement System is administered by the Executive Director, an employee of the City and County, in accordance with the provisions of the Charter and Administrative Code, and the policies and regulations of the Retirement Board. The Retirement Board is composed of seven members: three members elected by the active and retired members of the Retirement System; three members appointed by the Mayor in accordance with Section 12.100 of the San Francisco City Charter, and one member of the Board of Supervisors appointed by the President of the Board of Supervisors.

#### 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, 2022 were \$22.1 million. Employee contribution rates for fiscal year 2021-2022 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. The required employer contribution rate for fiscal year 2021-2022 was 26.9%.

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

As of June 30, 2022, the District reported net pension asset for its proportionate share of the collective SFERS net pension asset totaling \$77.6 million. The net pension asset of the plan is measured as of June 30, 2021, and the total pension liability for the plan used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension asset 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:

|   |                        |
|---|------------------------|
| Proportion - June 30, 2020 measurement date | 3.1648%                |
| Proportion - June 30, 2021 measurement date | 3.0010%                |
| Change in proportion                        | <u><u>-0.1638%</u></u> |

For the year ended June 30, 2022, the District recognized pension credit of \$30.3 million, including amortization of deferred outflows/inflows related pension items. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date                     | \$ 22,088,731                        | \$ -                                |
| Difference between expected and actual experience                        | 7,124,000                            | (254,000)                           |
| Changes in assumptions   | 5,249,000                            | (13,620,000)                        |
| Adjustment due to differences in proportions                             | 943,000                              | (6,805,000)                         |
| Net difference between projected and actual earnings on plan investments | -                                    | (168,530,000)                       |
| Total  | <u>\$ 35,404,731</u>                 | <u>\$ (189,209,000)</u>             |

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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 5 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Amortization            |
|------------------------|-------------------------|
| 2023                   | \$ (44,541,000)         |
| 2024                   | (40,695,000)            |
| 2025                   | (42,195,000)            |
| 2026                   | (48,462,000)            |
| Total                  | <u>\$ (175,893,000)</u> |

### Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021 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, 2020 updated to June 30, 2021         |
| Measurement date          | June 30, 2021                                  |
| Actuarial cost method     | Entry-age normal cost                          |
| Inflation                 | 2.50%  |
| Salary increases          | 3.25% plus merit component                     |
| Investment rate of return | 7.40%, net of investment expense and inflation |
| Municipal bond yield      | 2.21% for 2020 and 2.16% for 2021              |
| 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 at June 30, 2021 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 the July 1, 2020 actuarial valuation. While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

As of June 30, 2021, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members. 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 2.16% to the extent that they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2021, rounded to two decimals is 7.40%.

The municipal bond rate of 2.16% used to determine the above discount rate represents the yield on the Bond Buyer 20-Bond GO Index.

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<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|-----------------|-----------------------------|--|
| Global equity   | 37%                         | 4.2%   |
| Treasuries      | 8%                          | 0.0%   |
| Liquid credit   | 5%                          | 2.3%   |
| Private credit  | 10%                         | 5.1%   |
| Private equity  | 23%                         | 7.9%   |
| Real assets     | 10%                         | 5.1%   |
| Absolute return | 10%                         | 2.9%   |
| Leverage        | -3%                         | 0.1%   |
| Total           | <u>100%</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<br>Liability |
|-------------------------------|--------------------------|
| 1% decrease (6.40%)           | \$ (51,703,000)          |
| Current discount rate (7.40%) | (77,578,000)             |
| 1% increase (8.40%)           | 184,310,000              |

## Note 15 - Commitments and Contingencies

### Grants

The District receives 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.

### Litigation

The District is a respondent in various matters that arise in the ordinary course of business. Consequently, the amount of the ultimate loss to the District may be adversely affect the general fund.



### **Construction Commitments**

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects as follows:

- Proposition A 2016 general obligation bond program: \$108.5 million.
- Other facilities projects: \$12 million.

### **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. Amounts paid for the year ended June 30, 2022 were not available as of the date of this report.

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 - Subsequent Events**

#### **Changes in interest rates**

As of March 31, 2023, the market value of the District's June 30, 2022 investment portfolio is 97.1 percent of the book value, or \$26.3 million unrealized market loss. Interest rates are expected to increase further, and it is expected as of the report date that the market value will likely decline further. The District's practice is to buy and hold investments until maturity; this minimizes the risk of loss for investment principal due to lower market values.

#### **Pension investments**

Applicable to the District's financial statements for the year ended June 30, 2023 SFERS announced a net investment return of negative 6.24% for the fiscal year ending 2021-22. In August of 2022, CalSTRS announced a net investment return of negative 1.3% for the fiscal year ending 2021-22. This, along with the change in the SFERS discount rate to 7.2%, will negatively impact the aggregate net pension liability of the District in future reporting periods. As the investment pool experienced gains in the fiscal year 2021, resulting in a drastically reduced liability in the fiscal year 2022, the District expects the inverse to be true in the fiscal year 2023.

**Note 18 - Change in Accounting Principles and Restatement of Prior Year Net Position and Fund Balance**

As further described in Note 1 under the sub-header "Change in Accounting Principles," as of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. As a result of the implementation of GASB 87, the District recognized a lease receivable and a deferred inflow of resources from leases. The effect of the implementation of GASB 87 is summarized in the following table:

|  | General<br>Fund       | Governmental<br>Activities |
|--|-----------------------|----------------------------|
| Beginning fund balance/net position, previously reported on July 1, 2021 | \$ 126,222,035        | \$ (256,731,896)           |
| Recognition of lease receivables   | 73,994,758            | 73,994,758                 |
| Recognition of deferred inflows from leases                              | (73,994,758)          | (73,994,758)               |
| Beginning fund balance/net position, as restated on July 1, 2021         | <u>\$ 126,222,035</u> | <u>\$ (256,731,896)</u>    |



Required Supplementary Information  
June 30, 2022

**San Francisco Unified School District**

San Francisco Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2022

|  | Budgeted Amounts |                |                | Variances -<br>Favorable<br>(Unfavorable) |
|--|------------------|----------------|----------------|---|
|  | Original         | Final          | Actual         | Final<br>to Actual                        |
| Revenues   |                  |                |                |   |
| Local control funding formula                        | \$ 535,116,608   | \$ 533,491,612 | \$ 595,430,529 | \$ 61,938,917                             |
| Federal sources                                      | 25,369,506       | 76,338,585     | 145,458,563    | 69,119,978                                |
| Other state sources                                  | 76,395,870       | 44,095,858     | 143,438,031    | 99,342,173                                |
| Other local sources                                  | 244,625,304      | 256,127,873    | 424,555,203    | 168,427,330                               |
| Total Revenues                                       | 881,507,288      | 910,053,928    | 1,308,882,326  | 398,828,398                               |
| Expenditures   |                  |                |                |   |
| Current  |                  |                |                |   |
| Certificated salaries                                | 379,988,211      | 355,848,110    | 437,920,315    | (82,072,205)                              |
| Classified salaries                                  | 130,585,326      | 137,327,158    | 153,557,322    | (16,230,164)                              |
| Employee benefits                                    | 199,445,035      | 189,781,384    | 328,971,964    | (139,190,580)                             |
| Books and supplies                                   | 20,079,885       | 40,417,221     | 35,488,113     | 4,929,108                                 |
| Services and operating expenditures                  | 72,362,595       | 98,611,708     | 159,620,029    | (61,008,321)                              |
| Other outgo  | 51,021,253       | 43,668,167     | 7,765,213      | 35,902,954                                |
| Capital outlay                                       | 391,662          | 7,397,806      | 2,032,233      | 5,365,573                                 |
| Debt service - interest                              |                  |                | 989,966        | (989,966)                                 |
| Total Expenditures                                   | 853,873,967      | 873,051,554    | 1,126,345,155  | (253,293,601)                             |
| Excess (deficiency) of revenues<br>over expenditures | 27,633,321       | 37,002,374     | 182,537,171    | 145,534,797                               |
| Other Financing Uses                                 |                  |                |                |   |
| Transfers in   | -                | -              | 3,779          | 3,779                                     |
| Transfers out  | (14,705,642)     | (15,470,926)   | (15,768,609)   | (297,683)                                 |
| Total Financing Sources (Uses)                       | (14,705,642)     | (15,470,926)   | (15,764,830)   | (293,904)                                 |
| Net Change In Fund Balances                          | 12,927,679       | 21,531,448     | 166,772,341    | 145,240,893                               |
| Fund balance - Beginning                             | 126,222,035      | 126,222,035    | 126,222,035    | -   |
| Fund balance - Ending                                | \$ 139,149,714   | \$ 147,753,483 | \$ 292,994,376 | \$ 145,240,893                            |

San Francisco Unified School District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2022

| Reporting fiscal year<br>Measurement date                               | 2022<br>2021            | 2021<br>2020            | 2020<br>2019          | 2019<br>2018          | 2018<br>2017          |
|---|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability  |                         |                         |                       |                       |                       |
| Service cost  | \$ 84,611,510           | \$ 59,685,804           | \$ 51,933,729         | \$ 54,233,883         | \$ 52,782,368         |
| Interest on the total OPEB liability                                    | 24,499,239              | 29,577,687              | 29,157,278            | 28,342,781            | 24,365,832            |
| Difference between expected and actual experience                       | (47,191,030)            | 1,121,836               | (60,193,912)          | -                     | -                     |
| Changes of assumptions  | 6,603,899               | 173,799,040             | 62,007,951            | (30,126,085)          | -                     |
| Benefit payments  | <u>(36,772,723)</u>     | <u>(32,594,010)</u>     | <u>(31,870,502)</u>   | <u>(29,470,435)</u>   | <u>(28,336,957)</u>   |
| Net change in total OPEB liability                                      | 31,750,895              | 231,590,357             | 51,034,544            | 22,980,144            | 48,811,243            |
| Total OPEB liability - beginning  | <u>1,039,085,972</u>    | <u>807,495,615</u>      | <u>756,461,071</u>    | <u>733,480,927</u>    | <u>684,669,684</u>    |
| Total OPEB liability - ending   | <u>\$ 1,070,836,867</u> | <u>\$ 1,039,085,972</u> | <u>\$ 807,495,615</u> | <u>\$ 756,461,071</u> | <u>\$ 733,480,927</u> |
| Plan Fiduciary Net Position   |                         |                         |                       |                       |                       |
| Contributions to trust  | \$ -                    | \$ -                    | \$ 25,000,000         | \$ -                  | \$ -                  |
| Contributions as benefit payments                                       | 36,772,723              | 32,594,010              | 31,870,502            | -                     | -                     |
| Changes of benefit terms  | -                       | -                       | -                     | -                     | -                     |
| Net investment income   | 5,264,751               | 1,375,651               | 427,235               | -                     | -                     |
| Administrative expense  | (9,752)                 | (12,541)                | (192)                 | -                     | -                     |
| Benefit payments  | <u>(36,772,723)</u>     | <u>(32,594,010)</u>     | <u>(31,870,502)</u>   | <u>-</u>              | <u>-</u>              |
| Net change in plan fiduciary net position                               | 5,254,999               | 1,363,110               | 25,427,043            | -                     | -                     |
| Plan fiduciary net position - beginning                                 | <u>26,790,153</u>       | <u>25,427,043</u>       | <u>-</u>              | <u>-</u>              | <u>-</u>              |
| Plan fiduciary net position - ending                                    | <u>\$ 32,045,152</u>    | <u>\$ 26,790,153</u>    | <u>\$ 25,427,043</u>  | <u>\$ -</u>           | <u>\$ -</u>           |
| Net OPEB Liability  | \$ 1,038,791,715        | \$ 1,012,295,819        | \$ 782,068,572        | \$ 756,461,071        | \$ 733,480,927        |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.99%                   | 2.58%                   | 3.15%                 | N/A                   | N/A                   |
| Covered-employee payroll  | \$ 540,512,000          | \$ 551,088,000          | \$ 520,368,000        | \$ 433,224,000        | \$ 411,662,000        |
| Net OPEB liability as a percentage of covered-employee payroll          | 198%                    | 189%                    | 155%                  | 175%                  | 178%                  |

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.

See Notes to Required Supplementary Information

San Francisco Unified School District  
Schedule of the District's Contributions for OPEB  
Year Ended June 30, 2022

| Fiscal year   | 2022                  | 2021                  | 2020                  | 2019                  | 2018                  | 2017                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Actuarially determined contribution (see note to schedule)          | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| Contribution in relation to the actuarially determined contribution | 37,171,169            | 36,772,723            | 32,594,010            | 56,870,502            | 29,470,435            | 28,336,957            |
| Contribution deficiency (excess)                                    | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           |
| Covered-employee payroll  | <u>\$ 540,512,000</u> | <u>\$ 551,088,000</u> | <u>\$ 520,368,000</u> | <u>\$ 433,224,000</u> | <u>\$ 411,662,000</u> | <u>\$ 471,791,841</u> |
| Contributions as a percentage of covered-employee payroll           | <u>6.88%</u>          | <u>6.67%</u>          | <u>6.26%</u>          | <u>13.13%</u>         | <u>7.16%</u>          | <u>6.01%</u>          |

**Note to schedule**

The District has not asked the actuary 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 each of the fiscal years presented.

\*\* Information not available.

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, 2022

| <i>(Amounts in thousands)</i>   | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          | 2022          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <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%       | 0.7971%       |
| District's proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll | \$ 382,762    | \$ 517,072    | \$ 504,375    | \$ 617,389    | \$ 645,548    | \$ 694,175    | \$ 771,296    | \$ 362,752    |
| State's proportionate share of the net pension liability<br>associated with the District                      | 231,113       | 273,474       | 287,132       | 365,242       | 369,607       | 378,719       | 397,603       | 182,523       |
| Total   | \$ 613,875    | \$ 790,546    | \$ 791,507    | \$ 982,631    | \$ 1,015,155  | \$ 1,072,894  | \$ 1,168,899  | \$ 545,275    |
| District's covered employee payroll at the measurement date   | \$ 300,327    | \$ 314,358    | \$ 334,115    | \$ 353,820    | \$ 372,505    | \$ 413,728    | \$ 436,961    | \$ 420,056    |
| District's proportionate share of the net pension liability as a<br>percentage of its covered payroll         | 127.45%       | 164.49%       | 150.96%       | 174.49%       | 173.30%       | 167.79%       | 176.51%       | 86.36%        |
| Plan fiduciary net position as a percentage of<br>the total pension liability                                 | 77%           | 74%           | 77%           | 69%           | 71%           | 73%           | 72%           | 87%           |
| Measurement Date  | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
| <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%       | 3.0010%       |
| District's proportionate share of the net pension liability (asset)   | \$ 52,686     | \$ 71,606     | \$ 172,628    | \$ 154,445    | \$ 135,128    | \$ 142,232    | \$ 171,241    | \$ (77,578)   |
| District's covered payroll at the measurement date  | \$ 63,892     | \$ 69,040     | \$ 77,547     | \$ 79,404     | \$ 82,059     | \$ 106,640    | \$ 114,126    | \$ 120,456    |
| District's proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll | 82.46%        | 103.72%       | 222.61%       | 194.51%       | 164.67%       | 133.38%       | 150.05%       | -64.40%       |
| Plan fiduciary net position as a percentage of<br>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 | June 30, 2021 |

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, 2022

| <i>(Amounts in thousands)</i>  | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <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  | \$ 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)   | (67,839)   |
| Contribution deficiency (excess)                                     | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| District's covered payroll   | \$ 282,303 | \$ 287,758 | \$ 300,327 | \$ 314,358 | \$ 334,115 | \$ 353,820 | \$ 372,505 | \$ 413,728 | \$ 436,961 | \$ 420,056 | \$ 400,940 |
| 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%     | 16.92%     |
| <b>SFERS</b>   |            |            |            |            |            |            |            |            |            |            |            |
| Contractually required contribution                                  | \$ 11,692  | \$ 12,388  | \$ 15,858  | \$ 18,483  | \$ 15,645  | \$ 17,068  | \$ 19,530  | \$ 20,496  | \$ 23,510  | \$ 25,105  | \$ 22,089  |
| 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)   | (25,105)   | (22,089)   |
| Contribution deficiency (excess)                                     | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| District's covered payroll   | \$ 64,632  | \$ 67,168  | \$ 63,892  | \$ 69,040  | \$ 77,547  | \$ 79,404  | \$ 82,059  | \$ 106,640 | \$ 114,126 | \$ 120,456 | **         |
| 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%     | 20.84%     | **         |

\*\* information not available



## **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 the District's 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 the District's Proportionate Share of the Net Pension Liability**

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**

The SFERS inflation rate changed from 2.75% to 2.5% and salary increases changed from 3.5% to 3.25%.

The OPEB discount rate changed to 2.81 percent from 2.3 percent.



Supplementary Information  
June 30, 2022

**San Francisco Unified School District**

San Francisco Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title                     | Federal Financial<br>Assistance<br>Listing /Federal<br>CFDA Number | Pass-through<br>Entity<br>Identifying<br>Number | 2022<br>Federal<br>Expenditures |
|--|--|---|---------------------------------|
| U.S. DEPARTMENT OF EDUCATION   |  |   |                                 |
| Passed through California Department of Education                                    |  |   |                                 |
| Career and Technical Education - Basic Grants to States                              | 84.048   | 14891/14894                                     | \$ 471,895                      |
| Title I grants to Local Educational Agencies   |  |   |                                 |
| Title I, Part A, Basic Grants Low Income and Neglected                               | 84.010   | 14329   | 11,967,330                      |
| ESSA: School Improvement Funding for LEAs  | 84.010   | 15438   | 1,339,480                       |
| Title I, Part D, Local Delinquent Programs   | 84.010   | 14357   | <u>218,175</u>                  |
| Total Title I Grants to Local Educational Agencies                                   |  |   | <u>13,524,985</u>               |
| Migrant Education-State Grant Program  | 84.011   | 14838   | 249,617                         |
| Supporting Effective Instruction State Grants  | 84.367   | 14341   | 1,640,957                       |
| English Language Acquisition State Grants  | 84.365   | 14346   | 1,358,326                       |
| 21st Century Community Learning Centers Technical Assistance                         | 84.287   | 14350   | 3,040,693                       |
| Student Support and Academic Enrichment Grants                                       | 84.424   | 15396   | 782,994                         |
| Elementary and Secondary School Relief II (ESSER II) Fund                            | 84.425D  | 15547   | 36,248,228                      |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund                | 84.425U  |   | 68,977,793                      |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss | 84.425U  |   | 290,856                         |
| COVID-19, Governor's Emergency Education Relief Fund: Learning Loss Mitigation       | 84.425C  | 15517   | 259,846                         |
| Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve                  | 84.425   |   | 286,992                         |
| American Rescue Plan - Homeless Children and Youth II (ARP HCY II)                   | 84.425   |   | 28,872                          |
| Education Innovation and research  | 84.000   |   | 338,578                         |
| SFCSD CDC COVID 19 supplement  | 84.000   |   | 200,300                         |
| Computer Science   | 84.000   |   | 200,252                         |

San Francisco Unified School District  
Schedule of Expenditures of Federal Awards  
June 30, 2022

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title     | Federal Financial<br>Assistance<br>Listing /Federal<br>CFDA Number | Pass-through<br>Entity<br>Identifying<br>Number | 2022<br>Federal<br>Expenditures |
|--|--|---|---------------------------------|
| U.S. DEPARTMENT OF EDUCATION (CONTINUED)                             |  |   |                                 |
| Special Education-Grants to States Cluster                           |  |   |                                 |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611             | 84.027   | 13379   | 12,476,830                      |
| IDEA Mental Health Allocation Plan, Part B, Sec 611                  | 84.027   | 15197   | 604,483                         |
| IDEA Preschool Grants, Part B, Sec 619                               | 84.173   | 13430   | 329,353                         |
| IDEA Alternate Dispute Resolution, Part B, Sec 611                   | 84.173A  | 13007   | 79,686                          |
| IDEA Grants for Infants and families                                 | 84.181   | 23761   | 162,626                         |
|  |  |   | <u>13,652,978</u>               |
| Total Special Education Grants to States Cluster                     |  |   |                                 |
|  |  |   | 13,652,978                      |
| Passed through California Department of Rehabilitation               |  |   |                                 |
| Rehabilitation Services Vocational Rehabilitation Grants to States   | 84.126   | 10006   | 69,681                          |
| Direct grant - Indian Education Grants to Local Educational Agencies | 84.060   | n/a   | 20,929                          |
|  |  |   | <u>20,929</u>                   |
| Total U.S. Department of Education                                   |  |   |                                 |
|  |  |   | <u>141,644,772</u>              |
| U.S. DEPARTMENT OF AGRICULTURE                                       |  |   |                                 |
| Passed through California Department of Education                    |  |   |                                 |
| Child Nutrition Cluster  |  |   |                                 |
| Especially Needy Breakfast Program                                   | 10.553   | 13526   | 465,959                         |
| School Breakfast Program   | 10.553   | 13390   | 3,204,991                       |
| National School Lunch Program  | 10.555   | 13391/13396                                     | 19,448,783                      |
| Commodity Supplemental Food Program                                  | 10.555   | n/a   | 578,731                         |
|  |  |   | <u>578,731</u>                  |
| Total Child Nutrition Cluster  |  |   |                                 |
|  |  |   | 23,698,464                      |
| Child and Adult Care Food Program                                    | 10.558   | 13393   | 6,913,070                       |
|  |  |   | <u>6,913,070</u>                |
| Total U.S. Department of Agriculture                                 |  |   |                                 |
|  |  |   | <u>30,611,534</u>               |

San Francisco Unified School District  
Schedule of Expenditures of Federal Awards  
June 30, 2022

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title  | Federal Financial<br>Assistance<br>Listing /Federal<br>CFDA Number | Pass-through<br>Entity<br>Identifying<br>Number | 2022<br>Federal<br>Expenditures |
|---|--|---|---------------------------------|
| U.S. DEPARTMENT OF DEFENSE  |  |   |                                 |
| Passed through California Department of Education   |  |   |                                 |
| Junior Reserve Officers Training Corps  | 12.357   | 1   | 97,617                          |
| Total U.S. Department of Defense  |  |   | 97,617                          |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  |  |   |                                 |
| Passed through California Department of Education   |  |   |                                 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund  | 93.596   | 13609   | 9,613,633                       |
| COVID-19, Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend    | 93.575   | 15555   | 1,651,900                       |
| Total Child Care and Development Cluster  |  |   | 11,265,533                      |
| Passed through California Department of Social Services   |  |   |                                 |
| Child Care and Development Programs   | 93.000   |   | 307,782                         |
| Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | 93.079   | 1   | 411,704                         |
| Total U.S. Department of Health and Human Services  |  |   | 11,985,019                      |
| Total   |  |   | \$ 184,338,942                  |

## Organization

The San Francisco Unified School District was established in 1851 and consists of an area comprising approximately 49 square miles. As of the 2021 fiscal year, 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 (Fiscal year 2022)

| MEMBER            | OFFICE         | TERM EXPIRES |
|-------------------|----------------|--------------|
| Jenny Lan         | President      | 2024         |
| Kevine Boggess    | Vice-President | 2024         |
| Ann Hsu           | Commissioner   | 2022         |
| Lisa Wiseman-Ward | Commissioner   | 2022         |
| Mark Sanchez      | Commissioner   | 2024         |
| Lainie Motamedi   | Commissioner   | 2022         |
| Matt Alexander    | Commissioner   | 2024         |

San Francisco Unified School District  
Schedule of Average Daily Attendance  
Year Ended June 30, 2022

|   | Second Period<br>Report | Annual<br>Report |
|---|-------------------------|------------------|
| Regular ADA   |                         |                  |
| Transitional kindergarten through third                                   | 14,011.17               | 14,108.23        |
| Fourth through sixth  | 10,120.92               | 10,161.74        |
| Seventh and eighth  | 6,193.69                | 6,225.32         |
| Ninth through twelfth   | 14,144.07               | 14,129.76        |
|   | <u>44,469.85</u>        | <u>44,625.05</u> |
| Total Regular ADA   |                         |                  |
| Extended Year Special Education   |                         |                  |
| Transitional kindergarten through third                                   | 17.64                   | 17.64            |
| Fourth through sixth  | 13.78                   | 13.78            |
| Seventh and eighth  | 11.87                   | 11.87            |
| Ninth through twelfth   | 31.63                   | 32.89            |
|   | <u>74.92</u>            | <u>76.18</u>     |
| Total Extended Year Special Education                                     |                         |                  |
| Special Education, Nonpublic, Nonsectarian Schools                        |                         |                  |
| Transitional kindergarten through third                                   | 0.90                    | 0.95             |
| Fourth through sixth  | 5.31                    | 5.61             |
| Seventh and eighth  | 11.60                   | 12.86            |
| Ninth through twelfth   | 63.20                   | 66.50            |
|   | <u>81.01</u>            | <u>85.92</u>     |
| Total Special Education, Nonpublic, Nonsectarian Schools                  |                         |                  |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools          |                         |                  |
| Transitional kindergarten through third                                   | 0.22                    | 0.22             |
| Fourth through sixth  | 0.76                    | 0.70             |
| Seventh and eighth  | 1.67                    | 1.56             |
| Ninth through twelfth   | 11.20                   | 9.65             |
|   | <u>13.85</u>            | <u>12.13</u>     |
| Total Extended Year Special Education,<br>Nonpublic, Nonsectarian Schools |                         |                  |
| Community Day School  |                         |                  |
| Seventh and eighth  | 0.50                    | 0.98             |
| Ninth through twelfth   | 18.70                   | 21.20            |
|   | <u>19.20</u>            | <u>22.18</u>     |
| Total Community Day School  |                         |                  |
| Total ADA   | <u>44,658.83</u>        | <u>44,821.46</u> |

# San Francisco Unified School District

Schedule of Instructional Time

Year Ended June 30, 2022

| Grade Level   | 1986-1987<br>Minutes<br>Requirement | 2021-2022<br>Actual<br>Minutes* | Number of Actual Days   |                                     | Status   |
|---------------|-------------------------------------|---------------------------------|-------------------------|-------------------------------------|----------|
|               |                                     |                                 | Traditional<br>Calendar | Number of<br>Multitrack<br>Calendar |          |
| Kindergarten  | 36,000                              | 45,150                          | 180                     | N/A                                 | Complied |
| Grades 1 - 3  | 50,400                              |                                 |                         |                                     |          |
| Grade 1       |                                     | 50,570                          | 180                     | N/A                                 | Complied |
| Grade 2       |                                     | 50,570                          | 180                     | N/A                                 | Complied |
| Grade 3       |                                     | 50,550                          | 180                     | N/A                                 | Complied |
| Grades 4 - 8  | 54,000                              |                                 |                         |                                     |          |
| Grade 4       |                                     | 54,012                          | 180                     | N/A                                 | Complied |
| Grade 5       |                                     | 54,012                          | 180                     | N/A                                 | Complied |
| Grade 6       |                                     | 56,124                          | 180                     | N/A                                 | Complied |
| Grade 7       |                                     | 56,124                          | 180                     | N/A                                 | Complied |
| Grade 8       |                                     | 56,124                          | 180                     | N/A                                 | Complied |
| Grades 9 - 12 | 64,800                              |                                 |                         |                                     |          |
| Grade 9       |                                     | 64,800                          | 180                     | N/A                                 | Complied |
| Grade 10      |                                     | 64,800                          | 180                     | N/A                                 | Complied |
| Grade 11      |                                     | 64,800                          | 180                     | N/A                                 | Complied |
| Grade 12      |                                     | 64,800                          | 180                     | N/A                                 | Complied |

\*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).



San Francisco Unified School District  
Reconciliation of Annual Financial and Budget Report with Financial Statements  
Year Ended June 30, 2022

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The following are adjustments to the ending fund balances between the unaudited actuals financial report and the financial statements:

|  | <u>General Fund</u>          |
|--|------------------------------|
| Balance, June 30, 2022, unaudited actual financial report                  | \$ 274,701,526               |
| Post-closing adjustment for OPEB contributions                             | 20,000,000                   |
| Lease receivable per GASB 87, <i>Leases</i>                                | 65,887,493                   |
| Deferred inflows of resources related to leases per GASB 87, <i>Leases</i> | <u>(67,594,642)</u>          |
| Balance, June 30, 2022, financial statements                               | <u><u>\$ 292,994,377</u></u> |

San Francisco Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2022

|   | (Budget)<br>2023 <sup>1</sup> | 2022         | 2021         | 2020         |
|---|-------------------------------|--------------|--------------|--------------|
| General Fund  |                               |              |              |              |
| Revenues  |                               | \$ 1,308,886 | \$ 988,792   | \$ 895,007   |
| Expenditures  |                               | 1,126,345    | 909,548      | 926,658      |
| Other uses and transfers out                            |                               | 15,769       | 15,804       | 11,365       |
| Total Expenditures and Other Uses                       |                               | 1,142,114    | 925,352      | 938,023      |
| Change In Fund Balance                                  |                               | \$ 166,772   | \$ 63,440    | \$ (43,016)  |
| Ending Fund Balance                                     |                               | \$ 336,011   | \$ 169,239   | \$ 105,799   |
| Available Reserves                                      |                               | \$ 135,962   | \$ 8,952     | \$ 30,161    |
| Available Reserves as A<br>Percentage of Total<br>Outgo |                               | 11.90%       | 0.95%        | 3.22%        |
| Long-Term Obligations                                   |                               | \$ 2,494,818 | \$ 2,562,689 | \$ 2,558,743 |
| Average Daily Attendance<br>AT P-2 <sup>2</sup>         |                               | 44,733       | 50,195       | 50,008       |

The general fund balance has increased by \$230.2 million over the past two years. 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, 2022 were 11.90 percent, which is an increase of \$127.1 million or 1,419 percent from fiscal year 2020-21.

During fiscal year 2021-22, the general fund incurred an operating surplus of \$166.8 million. Long term obligations have decreased \$63.9 million over the past two years.

Average daily attendance has decreased 5,368 over the past two years.

<sup>1</sup> Financial information for 2021 and 2020 are included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> ADA amounts include District and County programs.

<sup>3</sup> The District had not compiled the information for the 2023 budget column as of the date of this report.

# San Francisco Unified School District

Schedule of Charter Schools

Year Ended June 30, 2022

Information for June 30, 2022 was not available as of the date of this report. The following is for the year ended June 30, 2021:

| <u>Charter #</u> | <u>Name of Charter School</u>          | <u>Included in<br/>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, 2022

|  | County School<br>Service<br>Fund | Adult<br>Education | Student<br>Activities | Child<br>Development | Cafeteria           | Deferred<br>Maintenance | Capital<br>Facilities<br>Fund | State<br>School<br>Building | County<br>School<br>Facilities | Special<br>Reserve<br>Capital Outlay | Mello-Roos<br>Capital<br>Project | Tax<br>Override  | Nonmajor<br>Governmental<br>Funds |
|--|----------------------------------|--------------------|-----------------------|----------------------|---------------------|-------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------------|----------------------------------|------------------|-----------------------------------|
| <b>Assets</b>                                  |                                  |                    |                       |                      |                     |                         |                               |                             |                                |                                      |                                  |                  |                                   |
| Cash and Investments                           | \$ 211,542                       | \$ 258,896         | \$ 4,068,770          | \$ -                 | \$ 1,636,137        | \$ 13,433,002           | \$38,918,846                  | \$ 1,272,622                | \$ 3,481,464                   | \$ 12,033,423                        | \$ 8,445,276                     | \$ 33,297        | \$ 83,793,275                     |
| Receivables                                    | 12,262,622                       | -                  | -                     | 10,113,167           | 8,166,196           | 15,624                  | 45,172                        | 1,434                       | 4,040                          | -                                    | 9,815                            | -                | 30,618,070                        |
| Stores inventories                             | -                                | -                  | -                     | -                    | 83,622              | -                       | -                             | -                           | -                              | -                                    | -                                | -                | 83,622                            |
| <b>Total Assets</b>                            | <b>\$ 12,474,164</b>             | <b>\$ 258,896</b>  | <b>\$ 4,068,770</b>   | <b>\$ 10,113,167</b> | <b>\$ 9,885,955</b> | <b>\$ 13,448,626</b>    | <b>\$38,964,018</b>           | <b>\$ 1,274,056</b>         | <b>\$ 3,485,504</b>            | <b>\$ 12,033,423</b>                 | <b>\$ 8,455,091</b>              | <b>\$ 33,297</b> | <b>\$ 114,494,967</b>             |
| <b>Liabilities and Fund<br/>Balances</b>       |                                  |                    |                       |                      |                     |                         |                               |                             |                                |                                      |                                  |                  |                                   |
| <b>Liabilities</b>                             |                                  |                    |                       |                      |                     |                         |                               |                             |                                |                                      |                                  |                  |                                   |
| Overdrafts                                     | \$ -                             | \$ -               | \$ -                  | \$ 2,009,850         | \$ -                | \$ -                    | \$ -                          | \$ -                        | \$ -                           | \$ -                                 | \$ -                             | \$ -             | \$ 2,009,850                      |
| Accounts payable                               | 327,899                          | 1,764              | -                     | 2,454,966            | 4,352,871           | 806,946                 | 1,077,241                     | -                           | 53,765                         | 894,736                              | 1,045,733                        | -                | 11,015,921                        |
| Other current Liabilities                      | 3,500,000                        | -                  | -                     | -                    | -                   | -                       | -                             | -                           | -                              | -                                    | -                                | -                | 3,500,000                         |
| Unearned revenue                               | 548,908                          | -                  | -                     | 929,105              | -                   | -                       | -                             | -                           | -                              | 347,294                              | -                                | -                | 1,825,307                         |
| <b>Total Liabilities</b>                       | <b>4,376,807</b>                 | <b>1,764</b>       | <b>-</b>              | <b>5,393,921</b>     | <b>4,352,871</b>    | <b>806,946</b>          | <b>1,077,241</b>              | <b>-</b>                    | <b>53,765</b>                  | <b>1,242,030</b>                     | <b>1,045,733</b>                 | <b>-</b>         | <b>18,351,078</b>                 |
| <b>Fund Balances</b>                           |                                  |                    |                       |                      |                     |                         |                               |                             |                                |                                      |                                  |                  |                                   |
| Nonspendable                                   | -                                | -                  | -                     | -                    | 94,970              | -                       | -                             | -                           | -                              | -                                    | -                                | -                | 94,970                            |
| Restricted                                     | -                                | -                  | 4,068,770             | 4,659,460            | 5,438,114           | -                       | 6,059,932                     | 1,274,056                   | 3,431,739                      | 10,791,393                           | 7,403,073                        | 33,297           | 43,159,834                        |
| Committed                                      | 8,097,357                        | -                  | -                     | -                    | -                   | 12,641,680              | -                             | -                           | -                              | -                                    | -                                | -                | 20,739,037                        |
| Assigned                                       | -                                | 257,132            | -                     | 59,786               | -                   | -                       | 31,826,845                    | -                           | -                              | -                                    | 6,285                            | -                | 32,150,048                        |
| <b>Total Fund Balances</b>                     | <b>8,097,357</b>                 | <b>257,132</b>     | <b>4,068,770</b>      | <b>4,719,246</b>     | <b>5,533,084</b>    | <b>12,641,680</b>       | <b>37,886,777</b>             | <b>1,274,056</b>            | <b>3,431,739</b>               | <b>10,791,393</b>                    | <b>7,409,358</b>                 | <b>33,297</b>    | <b>96,143,889</b>                 |
| <b>Total Liabilities and Fund<br/>Balances</b> | <b>\$ 12,474,164</b>             | <b>\$ 258,896</b>  | <b>\$ 4,068,770</b>   | <b>\$ 10,113,167</b> | <b>\$ 9,885,955</b> | <b>\$ 13,448,626</b>    | <b>\$38,964,018</b>           | <b>\$ 1,274,056</b>         | <b>\$ 3,485,504</b>            | <b>\$ 12,033,423</b>                 | <b>\$ 8,455,091</b>              | <b>\$ 33,297</b> | <b>\$ 114,494,967</b>             |

San Francisco Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Nonmajor Governmental Funds

Year ended June 30, 2022

|  | County School<br>Service<br>Fund | Adult<br>Education | Student<br>Activities | Child<br>Development | Cafeteria    | Deferred<br>Maintenance | Capital<br>Facilities<br>Fund | State<br>School<br>Building | County<br>School<br>Facilities | Special<br>Reserve<br>Capital Outlay | Mello-Roos<br>Capital<br>Project | Tax<br>Override | Nonmajor<br>Governmental<br>Funds |
|--|----------------------------------|--------------------|-----------------------|----------------------|--------------|-------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------------|----------------------------------|-----------------|-----------------------------------|
| Revenues   |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| Local Control Funding Formula                        | \$ 9,980,024                     | \$ -               | \$ -                  | \$ -                 | \$ -         | \$ -                    | \$ -                          | \$ -                        | \$ -                           | \$ -                                 | \$ -                             | \$ -            | \$ 9,980,024                      |
| Federal sources                                      | 4,395,574                        | -                  | -                     | 11,573,315           | 30,700,970   | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 46,669,859                        |
| Other state sources                                  | 7,858,096                        | 410,762            | -                     | 23,998,925           | 1,447,373    | -                       | -                             | -                           | 1,246,541                      | -                                    | -                                | -               | 34,961,697                        |
| Other local sources                                  | 273,636                          | (7,863)            | 2,337,583             | 7,694,265            | 3,604,974    | (344,638)               | 9,091,273                     | 7,009                       | (82,881)                       | 4,981,172                            | 7,672,119                        | -               | 35,226,649                        |
| Total Revenues                                       | 22,507,330                       | 402,899            | 2,337,583             | 43,266,505           | 35,753,317   | (344,638)               | 9,091,273                     | 7,009                       | 1,163,660                      | 4,981,172                            | 7,672,119                        | -               | 126,838,229                       |
| Expenditures   |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| Current  |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| Instruction  | 3,895,251                        | 8,653              | -                     | 27,500,131           | -            | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 31,404,035                        |
| Instruction related activities:                      |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| Supervision of instruction                           | 1,830,687                        | 258,741            | -                     | 5,991,207            | -            | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 8,080,635                         |
| Instructional library, media and technology          | -                                | -                  | -                     | 41,559               | -            | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 41,559                            |
| School site administration                           | 1,287,388                        | 17,219             | -                     | 6,461,011            | -            | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 7,765,618                         |
| Pupil Services:                                      |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| Home-to school transportation                        | 6,364,810                        | -                  | -                     | -                    | -            | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 6,364,810                         |
| Food services  | -                                | -                  | -                     | 2,284,999            | 30,690,327   | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 32,975,326                        |
| All other pupil services                             | 3,559,274                        | 30,563             | 2,086,221             | 1,260,463            | -            | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 6,936,521                         |
| General administration:                              |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| All other general administration                     | 1,222,736                        | 11,062             | -                     | 1,467,485            | 505,887      | -                       | -                             | -                           | -                              | -                                    | -                                | -               | 3,207,170                         |
| Plant services                                       | 62,642                           | -                  | -                     | 787,429              | -            | -                       | -                             | -                           | -                              | -                                    | 82,900                           | -               | 932,971                           |
| Capital Outlay                                       | -                                | -                  | -                     | -                    | -            | 2,120,055               | 4,791,009                     | 117,620                     | 301,983                        | 7,801,100                            | 6,648,488                        | -               | 21,780,255                        |
| Debt service   |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| Principal  | -                                | -                  | -                     | -                    | -            | -                       | -                             | -                           | -                              | 1,535,659                            | -                                | -               | 1,535,659                         |
| Interest and other                                   | -                                | -                  | -                     | -                    | -            | -                       | -                             | -                           | -                              | 47,809                               | -                                | -               | 47,809                            |
| Total Expenditures                                   | 18,222,788                       | 326,238            | 2,086,221             | 45,794,284           | 31,196,214   | 2,120,055               | 4,791,009                     | 117,620                     | 301,983                        | 9,384,568                            | 6,731,388                        | -               | 121,072,368                       |
| Excess (deficiency) of<br>revenues over expenditures | 4,284,542                        | 76,661             | 251,362               | (2,527,779)          | 4,557,103    | (2,464,693)             | 4,300,264                     | (110,611)                   | 861,677                        | (4,403,396)                          | 940,731                          | -               | 5,765,861                         |
| Other Financing Sources:                             |                                  |                    |                       |                      |              |                         |                               |                             |                                |                                      |                                  |                 |                                   |
| Transfers in   | -                                | -                  | -                     | 1,715,018            | -            | 8,740,292               | -                             | -                           | -                              | 1,583,470                            | 49,861                           | -               | 12,088,641                        |
| Transfers out  | -                                | -                  | -                     | -                    | -            | -                       | (1,837,341)                   | -                           | -                              | -                                    | (24,242)                         | -               | (1,861,583)                       |
| Net Financing Sources                                | -                                | -                  | -                     | 1,715,018            | -            | 8,740,292               | (1,837,341)                   | -                           | -                              | 1,583,470                            | 25,619                           | -               | 10,227,058                        |
| Net Change in Fund Balances                          | 4,284,542                        | 76,661             | 251,362               | (812,761)            | 4,557,103    | 6,275,599               | 2,462,923                     | (110,611)                   | 861,677                        | (2,819,926)                          | 966,350                          | -               | 15,992,919                        |
| Fund Balance - Beginning                             | 3,812,815                        | 180,471            | 3,817,408             | 5,532,007            | 975,981      | 6,366,081               | 35,423,854                    | 1,384,667                   | 2,570,062                      | 13,611,319                           | 6,443,008                        | 33,297          | 80,150,970                        |
| Fund Balance - Ending                                | \$ 8,097,357                     | \$ 257,132         | \$ 4,068,770          | \$ 4,719,246         | \$ 5,533,084 | \$ 12,641,680           | \$ 37,886,777                 | \$ 1,274,056                | \$ 3,431,739                   | \$ 10,791,393                        | \$ 7,409,358                     | \$ 33,297       | \$ 96,143,889                     |

## **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 (District) under programs of the federal government for the year ended June 30, 2022. 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.

### **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.

### **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 has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

**Districts must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201.**

### **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**

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major 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, 2022

# 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***

To the Governing Board  
San Francisco Unified School District  
San Francisco, California

We were engaged to 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, the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 26, 2023. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence, as described in the Basis for Disclaimer of Opinion section of that report.

**Report on 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-004 that we consider to be material weaknesses.

## **Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-003, 2022-005 through 2022-008.

## **The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinions on the responses.

## **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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California  
June 26, 2023



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

The Board of Directors  
San Francisco Unified School District  
San Francisco, California

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

#### ***Qualified and Unmodified Opinions***

We have audited the San Francisco Unified School District's (District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

#### ***Qualified Opinion on Child Nutrition Cluster, Education Stabilization Fund and Child Care and Development Block Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster, Education Stabilization Fund and the Child Care and Development Block Grant for the year ended June 30, 2022.

#### ***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

#### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on Child Nutrition Cluster, Education Stabilization Fund and Child Care and Development Block Grant*

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing Numbers 10.553 and 10.555 Child Nutrition Cluster, 84.425 Education Stabilization Fund and 93.575 and 95.596 Child Care and Development Block Grant, as described in finding number 2022-008 for activities allowed or unallowed and allowable costs, 2022-009 for reporting, and 2022-010 for special tests and provisions.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### ***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-008 and 2022-009 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California  
June 26, 2023



**Independent Auditor's Report on State Compliance; Report on Internal Control Over Compliance  
Required by the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State  
Compliance Reporting**

To the Governing Board  
San Francisco Unified School District  
San Francisco, California

**Report on State Compliance**

***Qualified and Unmodified Opinions on State Compliance***

We have audited San Francisco Unified School District's (District) compliance with the types of compliance requirements identified as subject to audit in the *2021-2022 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, 2022.

***Qualified Opinion on Comprehensive School Safety Plan, Immunizations, and Expanded Learning Opportunities***

In our opinion, except for the noncompliance described in the Basis of Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the laws and regulations of the State programs noted in the table below for the year ended June 30, 2022.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying schedule of findings and questioned costs.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Matters Giving Rise to Qualified Opinion on Comprehensive School Safety Plan, Immunizations, and Expanded Learning Opportunities***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding comprehensive school safety plan (2022-005), immunizations (2022-006), and expanded learning opportunities (2022-007).

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.



- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***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:

|   | Procedures<br>Performed |
|---|-------------------------|
| <b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>                |                         |
| Attendance  | Yes                     |
| Teacher Certification and Misassignments                                  | Yes                     |
| Kindergarten Continuance  | Yes                     |
| Independent Study   | Yes                     |
| Continuation Education  | 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                     |
| Juvenile Court Schools  | Yes                     |
| Middle or Early College High Schools                                      | No (see below)          |
| K-3 Grade Span Adjustment   | Yes                     |
| Transportation Maintenance of Effort                                      | Yes                     |
| Apprenticeship: Related and Supplemental Instruction                      | No (see below)          |
| Comprehensive School Safety Plan  | See 2022-005            |
| District of Choice  | No (see below)          |
| <b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b> |                         |
| California Clean Energy Jobs Act  | Yes                     |
| After/Before School Education and Safety Program                          | Yes                     |
| Proper Expenditure of Education Protection Account Funds                  | Yes                     |
| Unduplicated Local Control Funding Formula Pupil Counts                   | Yes                     |
| Local Control and Accountability Plan                                     | Yes                     |
| Independent Study - Course Based  | Yes                     |
| Immunizations   | See 2022-006            |
| Educator Effectiveness  | Yes                     |
| Expanded Learning Opportunities Grant (ELO-G)                             | See 2022-007            |

| Career Technical Education Incentive Grant<br>In Person Instruction Grant  | Procedures<br>Performed<br><hr/> Yes<br>Yes |
|--|---|
| CHARTER SCHOOLS  |   |
| Attendance   | No (see below)                              |
| Mode of Instruction  | No (see below)                              |
| Nonclassroom-Based Instruction/Independent Study   | No (see below)                              |
| Determination of Funding for Nonclassroom-Based Instruction  | No (see below)                              |
| Annual Instructional Minutes - Classroom Based   | No (see below)                              |
| Charter School Facility Grant Program  | No (see below)                              |
| Early Retirement Incentive   |   |
| The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.  |   |
| The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.          |   |
| Middle or Early College High Schools   |   |
| The District did not operate a middle or early college high school; therefore, we did not perform procedures related to the Program.   |   |
| Apprenticeship: Related and Supplemental Instruction   |   |
| We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.   |   |
| District of Choice   |   |
| We did not perform District of Choice procedures because the program is not offered by the District.   |   |
| Charter Schools  |   |
| The District does not operate any charter schools; therefore, we did not perform procedures for charter school programs.   |   |
| The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.  |   |
| Mode of Instruction and Annual Instruction Minutes Classroom-Based   |   |
| We did not perform procedures for the Charter Schools Mode of Instruction nor Annual Instruction Minutes Classroom-Based because the District's charter school is entirely nonclassroom-based. |   |
| Nonclassroom-Based Instruction/Independent Study   |   |
| We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study because the District's charter school is entirely classroom-based.                                      |   |
| We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study because the ADA was below the level for testing.  |   |

Nonclassroom-Based Instruction/Independent Study/Determination of Funding for Nonclassroom-Based Instruction.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Charter School is classroom-based.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study for Charter Schools because the ADA was under the level that requires testing.

Charter School Facility Grant Program

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

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

*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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-005 through 2022-007 that we consider to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### **The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinions on the responses.

**Purpose of this Report**

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over state compliance and the results of that testing based on the requirements of the *2021-2022 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 "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California  
June 26, 2023

**Financial Statements**

|   |               |
|---|---------------|
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP | Disclaimer    |
| Internal control over financial reporting   |               |
| Material weakness identified  | Yes           |
| Significant deficiency identified   | None reported |
| Noncompliance material to financial statements noted?   | Yes           |

**Federal Awards**

|  |               |
|--|---------------|
| Internal control over major Federal programs |               |
| Material weakness identified?                | Yes           |
| Significant deficiency identified?           | None reported |

Qualified for all major programs, except 84.287 which was unmodified.

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

|  |     |
|--|-----|
| Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? | Yes |
|--|-----|

Identification of major Federal programs

| <u>Assistance Numbers</u> | <u>Name of Federal Program or Cluster</u>       |
|---------------------------|---|
| 10.553, 10.555            | CHILD NUTRITION CLUSTER                         |
| 93.575, 95.596            | CHILD CARE AND DEVELOPMENT BLOCK GRANT          |
| 84.425                    | COVID-19, EDUCATION STABILIZATION FUND          |
| 84.287                    | TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS |

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

**State Awards**

|   |               |
|---|---------------|
| Internal control over state compliance programs                             |               |
| Material weakness identified?   | Yes           |
| Significant deficiency identified not considered to be material weaknesses? | None reported |

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

Unmodified for all programs except for the following

| <u>Name of Program</u>           |
|----------------------------------|
| COMPREHENSIVE SCHOOL SAFETY PLAN |
| IMMUNIZATIONS                    |
| EXPANDED LEARNING OPPORTUNITIES  |

**2022-001 Disclaimer of opinion due to the inability to obtain sufficient appropriate audit evidence and material weakness in internal control over financial reporting**

Code 40000

**Criteria**

We were engaged to audit the financial statements of the District. The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

**Condition**

The District did not provide sufficient appropriate evidence to support that the financial statements are free from material misstatement.

**Context**

The following table summarizes the matters giving rise to the condition.

| <b>Matter</b>   | <b>Possible Effect on the District's financial statements</b>  | <b>Classification</b>   |
|---|--|---|
| The effects of pending or threatened litigation, and noncompliance with grant agreements, were not evaluated and reported in the financial statements.  | Possible material overstatement of the general fund ending fund balance on June 30, 2022.                          | Possible financial statement misstatement and material weakness in internal control over financial reporting. |
| We could not complete internal control walkthroughs over payroll because the information was not provided to support the audit. Furthermore, our substantive testing of payroll amounts identified possible errors. | Higher risk that amounts reported for payroll-related expenditures are incorrect or other errors are not detected. | Possible financial statement misstatement and material weakness in internal control over financial reporting. |

|   |   |   |
|---|---|---|
| Unable to complete pension and OPEB census testing.   | Higher risk that census information used by the pension and OPEB actuary may not be complete and accurate, and therefore the net pension liability and net OPEB liability may not be calculated per the accounting requirements.                                    | A material weakness in internal control over financial reporting.   |
| The District classified \$40 million as “committed for other” within the general fund.  | GASB requires specific criteria for such a classification, and we were not provided with the necessary information to determine if the GASB criteria were met. Therefore, we cannot conclude if the ending fund balance of the general fund is classified per GAAP. | Possible financial statement misstatement and material weakness in internal control over financial reporting.   |
| Based on inquiries with District management, we believe the District was reimbursed \$7 million for expenditures incurred in support of a reimbursement-based Federal grant. Although the District recorded the grant revenues during the fiscal year 2022, we are unclear about the recording of related grant expenditures. | Possible overstatement of restricted fund balance of the general fund and possible understatement of related expenditures.  | Possible financial statement misstatement and material weakness in internal control over financial reporting.<br><br>Possible omission of a Federal grant from the schedule of expenditures of federal awards; such grant would likely be subject to a Federal compliance single audit. |
| GASB requires that “construction in process” be reported separately from depreciable capital assets. However, the District has likely aggregated construction in process with depreciable assets.   | Depreciation expense may not be reported in the correct fiscal year.  | Possible financial statement misstatement and material weakness in internal control over financial reporting.   |
| Unable to determine the employer's pension contributions for the fiscal year 2022.  | The calculation of the net pension liability is incomplete because the current year employer's pension contributions were not provided.   | Possible financial statement misstatement and material weakness in internal control over financial reporting.   |

|   |  |   |
|---|--|---|
| The District reported a liability of \$7.9 million within the general fund called “deferred net pay.” We were not provided with a reconciliation or any basis of how the amount was determined; accordingly, we are unable to apply audit procedures over it. | The payroll liability may be understated and the ending fund balance of the general fund overstated.   | Possible financial statement misstatement and material weakness in internal control over financial reporting. |
| The District did not provide supporting documentation necessary for us to verify the revenues of the Cafeteria fund.  | Possible errors in the amounts reported as cafeteria revenues.   | Possible financial statement misstatement and material weakness in internal control over financial reporting. |
| The District’s OPEB actuary was not provided with information about any terminated, vested employees.   | Therefore, the effects of terminated vested employees are excluded from the actuarial valuation and the OPEB liability is potentially understated. | Possible financial statement misstatement and material weakness in internal control over financial reporting. |

#### **Effect**

We could not obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinions.

#### **Cause**

The cause is complications from implementing the new payroll system in January of 2022 and exacerbated by the turnover of District personnel.

#### **Recommendation**

We recommend that the District review and revise the accounting records to ensure a complete presentation per GAAP.

#### **Views of Responsible Officials**

The District has not prepared a response as of the date of this report.

#### **Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.



**2022-002 Audit adjustments and material weakness in internal control over financial reporting**  
Code 40000

**Criteria**

Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

**Condition**

Audit adjustments were necessary for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

**Context**

The District initially recorded pension contributions paid as a restatement of the beginning fund balance rather than pension expense.

**Effect**

Before the audit adjustment, the financial statements contained a material deviation from governmental accounting standards.

**Cause**

We believe the cause is the turnover of District personnel, leaving no individual in the role of financial accounting and reporting with a complete understanding of generally accepted governmental accounting standards.

**Recommendation**

We recommend that staff responsible for financial accounting and reporting obtain regular governmental continuing professional education.

**Views of Responsible Officials**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

**2022-003 Noncompliance with the use of bond premiums and material weakness in internal control over financial reporting**

Code 40000

**Criteria**

According to the California Attorney General Opinion No. 14-202, "... all of the premium from the sale of a general obligation school bond must be deposited in the district's interest and sinking fund, and any agreement between a district and bond purchaser to circumvent that requirement by diverting bond premium value to some other purpose—such as to pay bond issuance costs, underwriters' discounts, or interest on previously issued securities—is contrary to the meaning and purpose of Education Code section 15146(g)."

**Condition**

Bond premiums related to the Series 2022 new money bonds may have paid the underwriters' discount rather than being deposited to the bond interest and redemption fund.

**Context**

Total bond premiums were \$24.8 million, of which \$24.2 million was deposited to the bond interest and redemption fund. The difference of \$617,000 is the underwriters' discount.

**Effect**

The District may not comply with the opinion of the California Attorney General (Opinion No. 14-202).

**Cause**

Accounting staff were unaware of the California Attorney General (Opinion No. 14-202).

**Recommendation**

We recommend that the District consult with bond counsel and implement appropriate steps.

**Views of Responsible Officials**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

**2022-004 Material weakness in internal control over the preparation of the financial statements**

Code 40000

**Criteria**

Management of the District is responsible for establishing and maintaining internal control, and for the fair presentation of the financial statements and related financial statement disclosures being audited.

**Condition**

In conjunction with completing the audit, we were requested to draft the financial statements and the accompanying notes. Management reviewed, approved, and accepted responsibility for the financial statements and notes before their issuance.

**Context**

Not applicable

**Effect**

Reliance on the external auditors to prepare the financial statements and disclosures is considered to be a material weakness because actions by our Firm cannot be viewed as part of the District's internal control.

**Cause**

The District had limited staff trained to prepare full-disclosure financial statements, including related footnotes.

**Recommendation**

These circumstances are not unusual for a California school district. It is the responsibility of management and those charged with governance to decide whether to accept the risk associated with this condition because of cost or other considerations.

**Views of Responsible Officials**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

2022-005      **Comprehensive School Safety Plan**, Noncompliance and material weakness in internal control over state compliance  
Code 30000, 40000

**Criteria**

The State Compliance Audit Guide includes the following compliance requirement subject to audit:

Select a representative sample of schools of the LEA and verify each school had its comprehensive school safety plan adopted or reviewed and updated by March 1 as described in Education Code section 32288.

**Condition**

The District did not provide to us with all safety plans requested.

**Context**

The condition applies to six of the 14 audit samples.

**Effect**

The District may not have complied with all applicable compliance requirements subject to audit.

**Cause**

We believe the cause is the turnover of District personnel, leaving no single responsible person with sufficient accountability to ensure full compliance.

**Recommendation**

We recommend that the District assigns a single person responsible for ensuring compliance and providing supporting documentation to the auditors.

**Views of Responsible Official and Planned Corrective Actions**

The District understands California Education Codes 33280 - 32289 and acknowledges that 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.

**Identification as a Repeat Finding**

See 2021-001

2022-006      **Immunizations**, Noncompliance, and material weakness in internal control over state compliance  
Code 30000, 40000

**Criteria**

The State Compliance Audit Guide requires us to verify if the District has specific information on file regarding immunization records of pupils attending public school.

**Condition**

The District could not provide all the information necessary to establish full compliance.

**Context**

The condition applies to six audit samples, or 4.87 ADA. Questioned costs are \$48,252, based on the derived value of 2.56 ADA for grades TK-3 and 2.31 ADA for grade 7.

**Effect**

The District may not fully comply with all immunization compliance requirements subject to audit.

**Cause**

We believe the cause is the turnover of District personnel, leaving no single responsible person with sufficient accountability to ensure full compliance.

**Recommendation**

We recommend that the District assigns a single person responsible for ensuring compliance and providing supporting documentation to the auditors. We also suggest that management periodically monitor immunization compliance on a sample basis for timely identification of deviation from District policy.

**Views of Responsible Official and Planned Corrective Actions**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

2022-007      **Expanded Learning Opportunities**, Noncompliance, and material weakness in internal control over state compliance  
Code 30000, 40000

**Criteria**

The State Compliance Audit Guide requires us to apply the following procedures:

- 1) "Verify if the LEA did not expend more than 15 percent of the funding received to increase or improve services for pupils participating in distance learning or to support activities intended to prepare the LEA for in-person instruction, before in-person instructional services are offered pursuant to Education Code section 43522(d)(3)."
- 2) Verify the governing board or body of the local educational agency adopted on or before June 1, 2021, in a public meeting, a plan describing how the apportioned funds would be used in accordance with Education Code section 43522 and submitted the plan within 5 days of adoption pursuant to subdivision (e) of Education Code section 43522.

**Condition**

We could not verify the amount spent in support of in-person activities before the "in person instruction offering date" because the amount was not provided to us. We also noted that the spending plan was not submitted within five days of adoption.

**Context**

The total grant amount from State funds was \$21,762,662.

We noted that the governing board adopted the spending plan on May 25, 2021, and submitted it on May 31, 2021, one day after the deadline.

**Effect**

The District may not fully comply with all expanded learning opportunity compliance requirements subject to audit.

**Cause**

We believe the cause is the turnover of District personnel, leaving no single responsible person with sufficient accountability to ensure full compliance.

**Recommendation**

We recommend that the District assign a single person responsible for ensuring compliance and providing supporting documentation to the auditors.

**Views of Responsible Official and Planned Corrective Actions**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

2022-008      **Education Stabilization Fund** (ALN 84.425), Federal Department of Education  
**Child Care and Development Block Grant** (ALN 93.575, 92.596), Federal Department of Health and Human Services  
Passed through the California Department of Education  
**Noncompliance and material weakness in internal control over Federal compliance**  
Code 40000, 50000

Compliance Requirements Affected: Activities (A) and Costs (B)

**Criteria**

The Uniform Guidance 2 CFR section 200.430 specifies the standards for documenting salaries and wages charged to federal programs. 2 CFR section 200.200 stipulates the standards for documenting that direct charges to federal awards are for allowable costs.

**Condition**

The District did not provide supporting documentation for all the samples requested to support the audit.

**Cause**

We believe the cause is the turnover of District personnel, leaving no single responsible person with sufficient accountability to ensure full compliance.

**Effect**

The District was unable to support that it complied with the terms and conditions of Federal grant agreements.

**Questioned Costs**

Known and likely questioned costs by program are as follows:

| ALN            | Known    | Likely       |
|----------------|----------|--------------|
| 84.425         | \$97,810 | \$48,365,738 |
| 93.575, 92.596 | \$39,372 | \$6,711,381  |

**Context**

Audit samples of which no documentation was provided are considered deviations. The following table shows the number of deviations with the audit sample per program:

| ALN            | Sample Size | Number of Deviations |
|----------------|-------------|----------------------|
| 84.425         | 68          | 31                   |
| 93.575, 92.596 | 47          | 28                   |

**Recommendation**

We recommend that the District assigns a single person responsible for ensuring compliance and providing supporting documentation to the auditors.

**Views of Responsible Official**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.



2022-009      **Child Nutrition Cluster** (ALN 10.553, 10.555), Federal Department of Agriculture  
Passed through the California Department of Education  
**Noncompliance and material weakness in internal control over Federal compliance**  
Code 40000, 50000

Compliance Requirements Affected: Reporting

**Criteria**

The District must submit monthly claims for reimbursement for meals and snacks served to eligible students. Each month's claim for reimbursement and all data used in the claims review process must be maintained on file. Accurate records must be maintained justifying all meals claimed and documenting that all Program funds were spent only on allowable Child Nutrition Program costs. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. Records are required to be retained for a period of three years after submission of the final Claim for Reimbursement for the fiscal year.

**Condition**

The District did not provide supporting documentation for all the samples requested to support the audit.

**Cause**

We believe the cause is the turnover of District personnel, leaving no single responsible person with sufficient accountability to ensure full compliance.

**Effect**

The District was unable to support that it complied with the terms and conditions of Federal grant agreements.

**Questioned Costs**

Known questioned costs are \$6,913,076 and likely questioned cost are \$17,773,848.

**Context**

The condition applies to three transactions from our sample of four.

**Recommendation**

We recommend that the District assigns a single person responsible for ensuring compliance and providing supporting documentation to the auditors.

**Views of Responsible Official**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

2022-010      **Child Care and Development Block Grant** (ALN 93.575, 92.596), Federal Department of Health and Human Services  
Passed through the California Department of Education  
**Noncompliance and material weakness in internal control over Federal compliance**  
Code 40000, 50000

Compliance Requirement Affected: Special Tests and Provisions

**Criteria**

Program participation requires that Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud (45 CFR section 98.60). Auditors are required to review the Lead Agency's procedures for identifying and recovering payments resulting from fraud, including the Lead Agency's definition of fraudulent childcare payments.

**Condition**

Although the District informed us that it has not identified any payments that are the result of fraud, we also were not provided the District's procedures for identifying and recovering payments resulting from fraud, or the District's definition of fraudulent childcare payments.

**Cause**

Personnel may have misunderstood the requirement to formalize applicable procedures and formally define "fraudulent childcare payments."

**Effect**

The District was unable to support that it complied with the terms and conditions of Federal grant agreements.

**Questioned Costs**

No questioned costs are associated with this finding.

**Context**

Although no fraudulent payments are known to have occurred, the requirement is that all administering agencies develop procedures and definitions for identifying them.

**Recommendation**

We recommend that personnel responsible for program administration consult with legal counsel to formally develop procedures for identifying and recovering payments resulting from fraud, including the Lead Agency's definition of fraudulent childcare payments.

**Views of Responsible Official**

The District has not prepared a response as of the date of this report.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

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            |
| <b>2021-001</b> | <b>Criteria</b><br>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. |                             |
|                 | <b>Condition</b><br>The plans were not reviewed and approved by March 1.  |                             |
|                 | <b>Context</b><br>The condition is applicable to 4 of the 11 sampled school sites.  |                             |
|                 | <b>Effect</b><br>The District did not comply with the compliance requirement that every comprehensive school safety plan is updated by March 1.   |                             |
|                 | <b>Current year status</b><br>See finding 2022-005  |                             |