

SAN FRANCISCO UNIFIED SCHOOL DISTRICT



AUDIT REPORT
JUNE 30, 2023

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION



Certified Public Accountants serving
K-12 School Districts and Charter
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
San Francisco Unified School District
San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the San Francisco Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco Unified School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Francisco Unified School 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 audit opinions.

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 San Francisco Unified School 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives 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. 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the San Francisco Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Francisco Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions 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 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Francisco Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024 on our consideration of the San Francisco Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 San Francisco Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Francisco Unified School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc." followed by a small registered trademark symbol (TM).

San Diego, California
April 30, 2024

SAN FRANCISCO UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

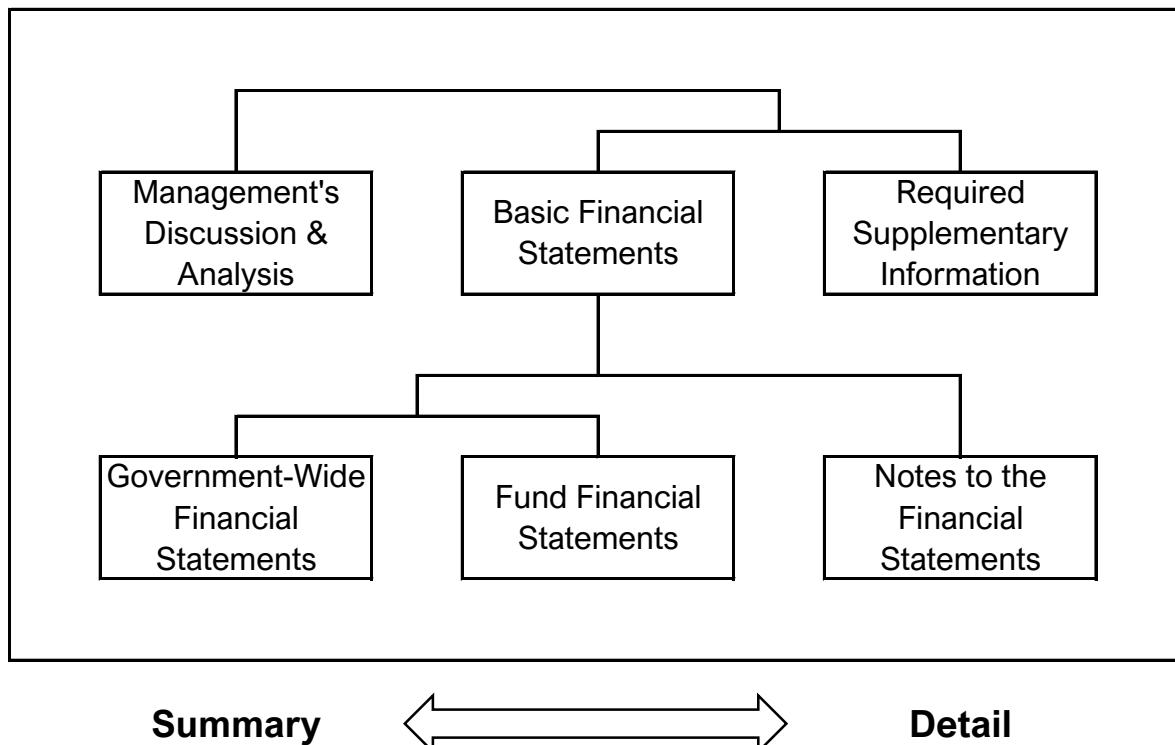
Our discussion and analysis of San Francisco Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$331,359,350 at June 30, 2023. This was an increase of \$279,410,537 from the prior year.
- Overall revenues were \$1,475,651,908 which exceeded expenses of \$1,196,241,371.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.
- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide statement because the resources of the fund are not available to support the District’s own programs.

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

Government-Wide Statements

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

The two government-wide statements report the District’s net position and how it has changed. Net position is one way to measure the District’s financial health. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$331,359,350 at June 30, 2023, as reflected in the table below. Of this amount, \$(1,149,937,644) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2023	2022	Net Change
ASSETS			
Current and other assets	\$ 1,202,950,844	\$ 1,138,312,747	\$ 64,638,097
Capital assets	1,964,138,503	1,956,342,667	7,795,836
Total Assets	3,167,089,347	3,094,655,414	72,433,933
DEFERRED OUTFLOWS OF RESOURCES			
	452,537,812	449,003,662	3,534,150
LIABILITIES			
Current liabilities	278,578,338	174,020,457	104,557,881
Long-term liabilities	2,580,349,032	2,601,458,960	(21,109,928)
Total Liabilities	2,858,927,370	2,775,479,417	83,447,953
DEFERRED INFLOWS OF RESOURCES			
	429,340,439	716,230,846	(286,890,407)
NET POSITION			
Net investment in capital assets	1,133,762,608	1,058,772,006	74,990,602
Restricted	347,534,386	247,585,459	99,948,927
Unrestricted	(1,149,937,644)	(1,254,408,652)	104,471,008
Total Net Position	\$ 331,359,350	\$ 51,948,813	\$ 279,410,537

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2023	2022	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 4,637,369	\$ 8,007,830	\$ (3,370,461)
Operating grants and contributions	501,631,866	474,449,703	27,182,163
Capital grants and contributions	85,446	26,735,024	(26,649,578)
General revenues			
Property taxes	593,245,540	708,408,652	(115,163,112)
Unrestricted federal and state aid	340,580,880	318,061,974	22,518,906
Other	35,470,807	(7,536,336)	43,007,143
Total Revenues	1,475,651,908	1,528,126,847	(52,474,939)
EXPENSES			
Instruction	633,003,734	706,803,569	(73,799,835)
Instruction-related services	164,333,268	170,317,513	(5,984,245)
Pupil services	180,436,156	182,494,571	(2,058,415)
General administration	93,358,340	34,324,390	59,033,950
Plant services	73,324,608	75,686,017	(2,361,409)
Ancillary and community services	8,204,825	7,554,145	650,680
Debt service	39,488,507	32,542,609	6,945,898
Other outgo	3,993,441	9,723,324	(5,729,883)
Enterprise activities	98,492	-	98,492
Total Expenses	1,196,241,371	1,219,446,138	(23,204,767)
Change in net position	279,410,537	308,680,709	(29,270,172)
Net Position - Beginning	51,948,813	(256,731,896)	308,680,709
Net Position - Ending	\$ 331,359,350	\$ 51,948,813	\$ 279,410,537

The cost of all our governmental activities this year was \$1,196,241,371 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$593,245,540 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2023	2022
Instruction	\$ 362,192,054	\$ 473,187,263
Instruction-related services	83,403,250	80,505,634
Pupil services	84,329,728	70,193,939
General administration	58,387,986	(8,450,862)
Plant services	65,392,322	62,729,889
Ancillary and community services	1,837,093	2,165,903
Debt service	39,488,507	32,542,609
Transfers to other agencies	(5,178,118)	(2,620,794)
Enterprise activities	33,868	-
Total	\$ 689,886,690	\$ 710,253,581

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$940,976,795, which is more than last year's ending fund balance of \$807,975,901. The District's General Fund had \$144,606,149 more in operating revenues than expenditures for the year ended June 30, 2023. The District's Building Fund had \$43,255,563 less in operating revenues than expenditures for the year ended June 30, 2023. The District's Bond Interest and Redemption Fund had \$6,090,031 more in operating revenues than expenditures for the year ended June 30, 2023.

CURRENT YEAR BUDGET 2022-2023

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2022-2023 the District had invested \$1,964,138,503 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2023	2022	Net Change
CAPITAL ASSETS			
Land	\$ 7,100,000	\$ 7,100,000	\$ -
Buildings & improvements	2,808,178,029	2,729,111,143	79,066,886
Furniture & equipment	53,365,222	52,544,698	820,524
Less: Accumulated depreciation	(904,504,748)	(832,413,174)	(72,091,574)
Total Capital Assets	\$ 1,964,138,503	\$ 1,956,342,667	\$ 7,795,836

Long-Term Liabilities

At year-end, the District had \$2,580,349,032 in long-term liabilities, an increase of 4.30% from last year – as shown in the table below.

	Governmental Activities		
	2023	2022	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 1,137,175,752	\$ 1,237,465,396	\$ (100,289,644)
Compensated absences	13,413,053	19,086,725	(5,673,672)
Net OPEB liability	898,812,305	1,038,791,715	(139,979,410)
Net pension liability	626,287,566	285,174,129	341,113,437
Less: current portion of long-term liabilities	(95,339,644)	(106,641,632)	11,301,988
Total Long-term Liabilities	\$ 2,580,349,032	\$ 2,473,876,333	\$ 106,472,699

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its June 2023 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was not in a recession yet, but the forecast comes with a caution. Anti-inflation actions by the Federal Reserve could still trigger a near-term recession. The Federal Reserve has said that its actions will be dependent on data. If data shows that the labor market continues to remain robust and if another jobs report shows strong growth in payroll employment and inflation remains sticky, the Federal Reserve will likely err on the side of further tightening of monetary policy and thus, a mild recession later this year is the most likely. The Forecast anticipates that there will be a mild impact on the State of California's economy regardless of the Federal Reserve's policy actions. The California unemployment rate averages for 2023, 2024, and 2025 are expected to be 4.1%, 4.0% and 4.0%, respectively, and non-farm payroll jobs are expected to grow at rates of 2.0%, 1.3%, and 1.6%, during the same three years.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2023 Budget Revision includes a total Proposition 98 guarantee of \$106.8 billion (\$77.4 billion General Fund and \$29.4 billion local property tax) down from the January 2023 Governor's Budget Proposition 98 guarantee of \$108.8 billion (\$79.6 billion General Fund and \$29.2 billion local property tax). The Proposition 98 Guarantee continues to be in Test 1 for 2022-23 and 2023-24. At May Revision, the 2023-24 cost-of-living adjustment (COLA) is updated to 8.22 percent, the largest COLA in the history of LCFF. Additionally, the May revise saw a reduction of \$1.8 billion to the Arts, Music, and Instructional Materials Discretionary Block Grant and a \$2.5 billion reduction of the Learning Recovery Emergency Block Grant.

The District participates in state employee pensions plan, California State Teachers' Retirement System (CalSTRS) and it is underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2023. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2023-24 is 19.10 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2023-24 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, San Francisco Unified School District, 135 Van Ness Avenue, San Francisco, California, 94102 or (415) 241-6542.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,026,443,213
Accounts receivable	110,555,963
Inventory	2,031,782
Prepaid expenses	162,580
Leases receivable	63,757,306
Capital assets, not depreciated	7,100,000
Capital assets, net of accumulated depreciation	<u>1,957,038,503</u>
Total Assets	<u>3,167,089,347</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	252,955,939
Deferred outflows related to OPEB	197,241,729
Deferred amount on refunding	2,340,144
Total Deferred Outflows of Resources	<u>452,537,812</u>
LIABILITIES	
Accrued liabilities	125,940,203
Unearned revenue	34,566,491
Claims liabilities	22,732,000
Long-term liabilities, current portion	95,339,644
Long-term liabilities, non-current portion	<u>2,580,349,032</u>
Total Liabilities	<u>2,858,927,370</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	101,119,703
Deferred inflows related to OPEB	259,739,274
Deferred amount on refunding	4,724,156
Deferred inflows related to leases	<u>63,757,306</u>
Total Deferred Inflows of Resources	<u>429,340,439</u>
NET POSITION	
Net investment in capital assets	1,133,762,608
Restricted:	
Capital projects	29,930,841
Debt service	81,081,663
Educational programs	216,583,350
Food service	15,702,777
Associated student body	4,235,755
Unrestricted	<u>(1,149,937,644)</u>
Total Net Position	<u>\$ 331,359,350</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
		Governmental Activities			
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 633,003,734	\$ 1,150,063	\$ 269,576,171	\$ 85,446	\$ (362,192,054)
Instruction-related services					
Instructional supervision and administration	85,293,468	395,569	57,395,125	-	(27,502,774)
Instructional library, media, and technology	12,762,588	145,750	8,778,750	-	(3,838,088)
School site administration	66,277,212	82,530	14,132,294	-	(52,062,388)
Pupil services					
Home-to-school transportation	34,523,265	17,765	6,282,181	-	(28,223,319)
Food services	39,091,720	88,689	51,954,364	-	12,951,333
All other pupil services	106,821,171	392,316	37,371,113	-	(69,057,742)
General administration					
Centralized data processing	46,613,605	239,212	18,252,216	-	(28,122,177)
All other general administration	46,744,735	126,202	16,352,724	-	(30,265,809)
Plant services	73,324,608	30,770	7,901,516	-	(65,392,322)
Ancillary services	8,203,325	1,928,743	4,438,001	-	(1,836,581)
Community services	1,500	17	971	-	(512)
Enterprise activities	98,492	1,105	63,519	-	(33,868)
Interest on long-term debt	39,488,507	-	-	-	(39,488,507)
Other outgo	3,993,441	38,638	9,132,921	-	5,178,118
Total Governmental Activities	\$ 1,196,241,371	\$ 4,637,369	\$ 501,631,866	\$ 85,446	\$ (689,886,690)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					351,472,453
Property taxes, levied for debt service					141,426,967
Property taxes, levied for other specific purposes					100,346,120
Federal and state aid not restricted for specific purposes					340,580,880
Interest and investment earnings					6,057,276
Miscellaneous					29,413,531
Subtotal, General Revenue					969,297,227
CHANGE IN NET POSITION					279,410,537
Net Position - Beginning					51,948,813
Net Position - Ending					\$ 331,359,350

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 473,687,794	\$ 312,459,566	\$ 81,956,131	\$ 118,662,871	\$ 986,766,362
Accounts receivable	88,613,680	1,969,583	873,123	18,875,544	110,331,930
Stores inventory	1,934,091	-	-	97,691	2,031,782
Prepaid expenditures	162,580	-	-	-	162,580
Leases receivable	63,757,306	-	-	-	63,757,306
Total Assets	\$ 628,155,451	\$ 314,429,149	\$ 82,829,254	\$ 137,636,106	\$ 1,163,049,960
LIABILITIES					
Accrued liabilities	\$ 110,231,046	\$ 5,245,280	\$ -	\$ 8,273,042	\$ 123,749,368
Unearned revenue	25,952,736	-	-	8,613,755	34,566,491
Total Liabilities	136,183,782	5,245,280	-	16,886,797	158,315,859
DEFERRED INFLOWS					
Deferred inflows related to leases	63,757,306	-	-	-	63,757,306
Total Deferred Inflows	63,757,306	-	-	-	63,757,306
FUND BALANCES					
Nonspendable	2,097,171	-	-	109,039	2,206,210
Restricted	206,785,600	309,183,869	82,829,254	59,700,420	658,499,143
Committed	125,000,000	-	-	24,066,003	149,066,003
Assigned	70,180,400	-	-	36,873,847	107,054,247
Unassigned	24,151,192	-	-	-	24,151,192
Total Fund Balances	428,214,363	309,183,869	82,829,254	120,749,309	940,976,795
Total Liabilities, Deferred Inflows and Fund Balances	\$ 628,155,451	\$ 314,429,149	\$ 82,829,254	\$ 137,636,106	\$ 1,163,049,960

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balance - Governmental Funds \$ 940,976,795

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

Capital assets:

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

Capital assets	\$ 2,868,643,251
Accumulated depreciation	<u>(904,504,748)</u>
	1,964,138,503

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements: (2,384,012)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

(1,780,888)

Long-term liabilities:

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

Total general obligation bonds	\$ 1,137,175,752
Compensated absences	13,413,053
Net OPEB liability	898,812,305
Net pension liability	<u>626,287,566</u>
	(2,675,688,676)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 252,955,939
Deferred inflows of resources related to pensions	<u>(101,119,703)</u>

151,836,236

(continued on the next page)

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, continued
JUNE 30, 2023**

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 197,241,729
Deferred inflows of resources related to OPEB	<u>(259,739,274)</u> (62,497,545)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

16,758,937

Total Net Position - Governmental Activities	\$ 331,359,350
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SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 649,915,650	\$ -	\$ -	\$ 20,279,265	\$ 670,194,915
Federal sources	69,030,579	-	2,355,158	32,812,972	104,198,709
Other state sources	237,388,565	-	244,924	45,356,170	282,989,659
Other local sources	292,103,823	7,226,115	143,402,052	39,648,355	482,380,345
Total Revenues	1,248,438,617	7,226,115	146,002,134	138,096,762	1,539,763,628
EXPENDITURES					
Current					
Instruction	622,094,898	-	-	31,459,492	653,554,390
Instruction-related services					
Instructional supervision and administration	81,136,811	-	-	6,715,878	87,852,689
Instructional library, media, and technology	14,433,325	-	-	1,347	14,434,672
School site administration	62,036,523	-	-	7,528,128	69,564,651
Pupil services					
Home-to-school transportation	32,700,177	-	-	-	32,700,177
Food services	5,684,638	-	-	32,144,257	37,828,895
All other pupil services	109,690,740	-	-	1,841,617	111,532,357
General administration					
Centralized data processing	45,571,289	-	-	149	45,571,438
All other general administration	45,268,020	-	-	6,728,357	51,996,377
Plant services	69,894,135	-	-	739,218	70,633,353
Facilities acquisition and construction	5,930,761	50,481,678	-	22,654,444	79,066,883
Ancillary services	5,332,861	-	-	2,688,455	8,021,316
Community services	1,500	-	-	-	1,500
Enterprise activities	98,492	-	-	-	98,492
Transfers to other agencies	3,958,298	-	-	-	3,958,298
Debt service					
Principal	-	-	89,950,000	-	89,950,000
Interest and other	-	-	49,962,103	35,143	49,997,246
Total Expenditures	1,103,832,468	50,481,678	139,912,103	112,536,485	1,406,762,734
Excess (Deficiency) of Revenues					
Over Expenditures	144,606,149	(43,255,563)	6,090,031	25,560,277	133,000,894
Other Financing Sources (Uses)					
Transfers in	-	10,341,019	-	1,686,118	12,027,137
Transfers out	(9,386,162)	-	-	(2,640,975)	(12,027,137)
Net Financing Sources (Uses)	(9,386,162)	10,341,019	-	(954,857)	-
NET CHANGE IN FUND BALANCE					
Fund Balance - Beginning	135,219,987	(32,914,544)	6,090,031	24,605,420	133,000,894
Fund Balance - Ending	292,994,376	342,098,413	76,739,223	96,143,889	807,975,901
	\$ 428,214,363	\$ 309,183,869	\$ 82,829,254	\$ 120,749,309	\$ 940,976,795

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds \$ 133,000,894

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 79,887,410	
Depreciation expense:	<u>(72,091,574)</u>	
		7,795,836

Debt service:

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

89,950,000

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(180,334)

Unmatured interest on long-term debt:

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

314,286

Compensated absences:

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

5,673,672

Postemployment benefits other than pensions (OPEB):

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

(42,485,610)

(continued on the next page)

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2023**

Pensions:

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

128,119,137

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

10,339,644

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

(53,116,988)

Change in Net Position of Governmental Activities

\$ 279,410,537

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities	Internal Service Fund
ASSETS		
Current assets		
Cash and investments	\$ 39,676,851	
Accounts receivable	224,033	
Total Assets	<hr/> <hr/> <hr/> 39,900,884	
LIABILITIES		
Current liabilities		
Accrued liabilities	<hr/> 409,947	
Total current liabilities	<hr/> 409,947	
Non-current liabilities		
Claims liabilities	<hr/> 22,732,000	
Total non-current liabilities	<hr/> 22,732,000	
Total Liabilities	<hr/> <hr/> <hr/> 23,141,947	
NET POSITION		
Unrestricted	<hr/> 16,758,937	
Total Net Position	<hr/> \$ 16,758,937	

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Governmental Activities	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 22,854,770	
Other local revenues	118,019	
Total operating revenues	22,972,789	
OPERATING EXPENSES		
Salaries and benefits	1,392,660	
Supplies and materials	95,814	
Professional services	75,353,975	
Total operating expenses	76,842,449	
Operating income/(loss)	(53,869,660)	
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	752,672	
Total non-operating revenues/(expenses)	752,672	
CHANGE IN NET POSITION		
Net Position - Beginning	(53,116,988)	
Net Position - Ending	69,875,925	
	\$ 16,758,937	

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Governmental Activities	Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	\$ 72,748,756	
Cash payments for payroll, insurance, and operating costs	(75,153,847)	
Net cash provided by (used for) operating activities	<u>(2,405,091)</u>	
Cash flows from investing activities		
Interest received	<u>752,672</u>	
Net cash provided by (used for) investing activities	<u>752,672</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,652,419)</u>	
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>41,329,270</u>	
End of year	<u>\$ 39,676,851</u>	
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	\$ (53,869,660)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	49,775,967	
Increase (decrease) in accrued liabilities	(102,403)	
Increase (decrease) in claims liabilities	<u>1,791,005</u>	
Net cash provided by (used for) operating activities	<u>\$ (2,405,091)</u>	

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Custodial Fund
	Warrant/Pass-through Fund
ASSETS	
Cash and investments	\$ 6,634,019
Accounts receivable	227,251
Total Assets	<hr/> 6,861,270 <hr/>
LIABILITIES	
Accrued liabilities	6,634,010
Due to other agencies	227,260
Total Liabilities	<hr/> 6,861,270 <hr/>
NET POSITION	
Unrestricted	-
Total Net Position	<hr/> \$ - <hr/>

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Custodial Fund
	Warrant/Pass-through Fund
ADDITIONS	
Contributions - deposits from districts	\$ 82,352,512
Total Additions	<u>82,352,512</u>
DEDUCTIONS	
Payments on behalf of districts	82,352,513
Total Deductions	<u>82,352,513</u>
CHANGE IN NET POSITION	(1)
Net Position - Beginning	1
Net Position - Ending	<u>\$ -</u>

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District 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.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

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

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District that cannot be used to support the District's own programs.

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

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

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

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be 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*).

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

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

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds (continued)

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

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

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

Capital Projects Fund for Blended Component Units: 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 under generally accepted accounting principles (GAAP).

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

Tax Override Fund: This 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. An example is a public school building loan repayment.

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

Warrant/Pass-through Custodial Fund: The warrant/pass-through 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.

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of 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.

Leases Receivable

Leases receivable are measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectable amounts. An associated deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable, plus any prepayments at the beginning of the lease. The deferred inflow is amortized using an effective interest method over the term of the lease.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$25,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Improvements/Infrastructure	5 to 50 years
Equipment	2 to 15 years

Interfund Balances

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations 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 obligations of the funds.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 – June 30, 2022

Gains and losses related to changes in net OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

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

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

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

G. 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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. 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 County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021.—The District has fully implemented this Statement as of June 30, 2023.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has fully implemented this Statement as of June 30, 2023.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities	Fiduciary Fund
Investment in county treasury	\$ 1,013,752,356	\$ 40,109,732	\$ 1,053,862,088	\$ 6,634,019
Fair value adjustment	(31,240,975)	(1,237,269)	(32,478,244)	-
Cash on hand and in banks	4,243,133	57,786	4,300,919	-
Cash with fiscal agent	-	746,602	746,602	-
Cash in revolving fund	11,848	-	11,848	-
Total	\$ 986,766,362	\$ 39,676,851	\$ 1,026,443,213	\$ 6,634,019

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Francisco County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorizations

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

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$1,028,017,863. The average weighted maturity for this pool is 442 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2023, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2023, the District's bank balance of \$4,165,961 was exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value (continued)

Uncategorized - Investments in the San Francisco County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2023 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 1,028,017,863</u>
Total	<u>\$ 1,028,017,863</u>

NOTE 3 – RECEIVABLES

A. Accounts Receivable

Accounts receivable at June 30, 2023 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities	Fiduciary Fund
Federal Government							
Categorical aid	\$ 53,132,386	\$ -	\$ -	\$ 9,374,798	\$ -	\$ 62,507,184	\$ -
State Government							
Apportionment	7,229	-	-	47,456	-	54,685	-
Categorical aid	18,430,454	-	-	6,435,881	-	24,866,335	-
Lottery	2,786,654	-	-	-	-	2,786,654	-
Local Government							
Other local sources	14,256,957	1,969,583	873,123	3,017,409	224,033	20,341,105	227,251
Total	\$ 88,613,680	\$ 1,969,583	\$ 873,123	\$ 18,875,544	\$ 224,033	\$ 110,555,963	\$ 227,251

B. Leases Receivable

The District has accrued lease receivables for multiple building and ground leases. The remaining receivable and deferred inflows of resources for these leases was \$63,757,306 as of June 30, 2023. Interest revenue recognized on these leases was \$2,111,345 for the year ended June 30, 2023. Principal receipts of \$7,256,041 were recognized as revenue during the fiscal year. Final receipt is expected in fiscal year 2043.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance			Balance
	July 01, 2022	Additions	Deletions	June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,100,000	\$ -	\$ -	\$ 7,100,000
Total capital assets not being depreciated	7,100,000	-	-	7,100,000
Capital assets being depreciated				
Buildings & improvements	2,729,111,143	79,066,886	-	2,808,178,029
Furniture & equipment	52,544,698	820,524	-	53,365,222
Total capital assets being depreciated	2,781,655,841	79,887,410	-	2,861,543,251
Less: Accumulated depreciation				
Buildings & improvements	783,176,883	70,276,899	-	853,453,782
Furniture & equipment	49,236,291	1,814,675	-	51,050,966
Total accumulated depreciation	832,413,174	72,091,574	-	904,504,748
Total capital assets being depreciated, net	1,949,242,667	7,795,836	-	1,957,038,503
Governmental Activities				
Capital Assets, net	\$ 1,956,342,667	\$ 7,795,836	\$ -	\$ 1,964,138,503

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

Governmental Activities	
Instruction	\$ 42,410,467
Instructional supervision and administration	5,617,368
Instructional library, media, and technology	286,447
School site administration	4,265,207
Home-to-school transportation	1,866,399
Food services	2,114,167
All other pupil services	6,519,294
Centralized data processing	1,944,148
All other general administration	2,504,635
Plant services	4,140,361
Ancillary services	423,081
Total	\$ 72,091,574

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

Interfund Transfers Out		Interfund Transfers In		
		Non-Major Governmental Funds		Total
	Building Fund			
General Fund	\$ 7,700,044	\$ 1,686,118	\$ 9,386,162	
Non-Major Governmental Funds	2,640,975	-	2,640,975	
Total	\$ 10,341,019	\$ 1,686,118	\$ 12,027,137	
The General Fund transferred to the Building Fund for ongoing construction projects.			\$ 7,700,044	
The General Fund transferred to the Non-Major Child Development Fund for program subsidy.			1,650,975	
The General Fund transferred to the Non-Major Special Reserve Fund for Capital Outlay Projects for reimbursement of construction costs.			35,143	
The Capital Projects Fund for Blended Component Units transferred to the Building Fund for reimbursement of construction costs.			2,640,975	
Total	\$ 12,027,137			

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023 consisted of the following:

	Non-Major Governmental Funds		Internal Service Fund	District-Wide	Governmental Activities	Fiduciary Fund
	General Fund	Building Fund				
Payroll	\$ 48,184,304	\$ -	\$ 33,178	\$ -	\$ 48,217,482	\$ -
Construction	-	5,245,280	2,952,228	-	-	8,197,508
Vendors payable	51,599,268	-	4,108,953	409,947	-	56,118,168
Unmatured interest	-	-	-	-	1,780,888	1,780,888
Due to grantor government	10,447,474	-	1,178,683	-	-	11,626,157
Due to other agencies	-	-	-	-	-	6,634,010
Total	\$ 110,231,046	\$ 5,245,280	\$ 8,273,042	\$ 409,947	\$ 1,780,888	\$ 125,940,203

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2023 consisted of the following:

	Non-Major Governmental Funds		Governmental Activities
	General Fund		
Federal sources	\$ 18,927,521	\$ 647,387	\$ 19,574,908
State categorical sources	6,050,547	7,619,074	13,669,621
Local sources	974,668	347,294	1,321,962
Total	\$ 25,952,736	\$ 8,613,755	\$ 34,566,491

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2023 consisted of the following:

	Balance	Additions	Deductions	Balance	Balance Due	
	July 01, 2022			June 30, 2023	In One Year	
Governmental Activities						
General obligation bonds	\$ 1,118,600,000	\$ -	\$ 89,950,000	\$ 1,028,650,000	\$ 85,000,000	
Unamortized premium	118,865,396	-	10,339,644	108,525,752	10,339,644	
Total general obligation bonds	1,237,465,396	-	100,289,644	1,137,175,752	95,339,644	
Compensated absences	19,086,725	-	5,673,672	13,413,053	-	
Net OPEB liability	1,038,791,715	-	139,979,410	898,812,305	-	
Net pension liability	285,174,129	341,113,437	-	626,287,566	-	
Total	\$ 2,580,517,965	\$ 341,113,437	\$ 245,942,726	\$ 2,675,688,676	\$ 95,339,644	

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. General Obligation Bonds

General obligation bonds at June 30, 2023 consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding	Additions	Deductions	Bonds Outstanding
					July 01, 2022			June 30, 2023
2006 Election, Series 2010C	May 19, 2010	May 15, 2027	5.735%	\$ 12,955,000	\$ 12,955,000	-	-	\$ 12,955,000
2006 Election, Series 2010D	May 19, 2010	June 15, 2030	5.735%	72,370,000	72,370,000	-	-	72,370,000
2006 Election, Series 2015F	October 8, 2015	June 15, 2035	3.000%-5.000%	15,000,000	11,235,000	-	655,000	10,580,000
2011 Election, Series 2015C	October 8, 2015	June 15, 2035	3.000%-5.000%	211,000,000	157,940,000	-	9,190,000	148,750,000
2015 Refunding	October 8, 2015	June 15, 2026	2.000%-5.000%	63,655,000	18,990,000	-	9,290,000	9,700,000
2016 Election, Series 2016A	March 17, 2017	June 15, 2024	2.000%-5.000%	180,000,000	129,480,000	-	5,990,000	123,490,000
2017 Refunding	March 17, 2017	June 15, 2037	2.000%-5.000%	53,890,000	22,580,000	-	10,870,000	11,710,000
2016 Election, Series 2020B	August 20, 2020	June 15, 2040	0.180%-4.000%	280,000,000	209,865,000	-	8,265,000	201,600,000
2020 Refunding	August 20, 2020	June 15, 2032	4.000%	166,285,000	115,840,000	-	24,700,000	91,140,000
2016 Election, Series 2022C	May 13, 2022	June 15, 2042	5.000%	284,250,000	245,295,000	-	12,685,000	232,610,000
2022 Refunding	May 13, 2022	June 15, 2033	5.000%	122,050,000	122,050,000	-	8,305,000	113,745,000
					\$ 1,118,600,000	-	\$ 89,950,000	\$ 1,028,650,000

The annual requirements to amortize the bonds outstanding at June 30, 2023 are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 85,000,000	\$ 45,472,178	\$ 130,472,178
2025	65,865,000	40,909,772	106,774,772
2026	60,565,000	37,381,484	97,946,484
2027	72,860,000	33,891,620	106,751,620
2028	55,190,000	30,431,615	85,621,615
2029 - 2033	378,785,000	106,792,319	485,577,319
2034 - 2038	213,565,000	45,097,000	258,662,000
2039 - 2042	96,820,000	9,863,000	106,683,000
Total	\$ 1,028,650,000	\$ 349,838,988	\$ 1,378,488,988

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

Refunding Bonds

On May 12, 2022, the District issued \$122,050,000 million in general obligation bonds with an interest rate of 5.00 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.

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2023 amounted to \$13,413,053. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Other Postemployment Benefits

The District's beginning net OPEB liability was \$1,038,791,715 and decreased by \$139,979,410 during the year ended June 30, 2023. The ending net OPEB liability at June 30, 2023 was \$898,812,305. See Note 10 for additional information regarding the net OPEB liability.

D. Net Pension Liability

The District's beginning net pension liability was \$285,174,129 and increased by \$341,113,437 during the year ended June 30, 2023. The ending net pension liability at June 30, 2023 was \$626,287,566. See Note 11 for additional information regarding the net pension liability.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2023:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 500	\$ -	\$ -	\$ 11,348	\$ 11,848
Stores inventory	1,934,091	-	-	97,691	2,031,782
Prepaid expenditures	162,580	-	-	-	162,580
Total non-spendable	2,097,171	-	-	109,039	2,206,210
Restricted					
Educational programs	206,785,600	-	-	9,797,750	216,583,350
Food service	-	-	-	15,702,777	15,702,777
Associated student body	-	-	-	4,235,755	4,235,755
Capital projects	-	309,183,869	-	29,930,841	339,114,710
Debt service	-	-	82,829,254	33,297	82,862,551
Total restricted	206,785,600	309,183,869	82,829,254	59,700,420	658,499,143
Committed					
Stabilization	65,000,000	-	-	-	65,000,000
Deferred maintenance	-	-	-	19,614,627	19,614,627
Special education	-	-	-	4,451,376	4,451,376
Other commitments	60,000,000	-	-	-	60,000,000
Total committed	125,000,000	-	-	24,066,003	149,066,003
Assigned					
Other assignments	70,180,400	-	-	-	70,180,400
Child development	-	-	-	3,358,566	3,358,566
Capital projects	-	-	-	33,515,281	33,515,281
Total assigned	70,180,400	-	-	36,873,847	107,054,247
Unassigned	24,151,192	-	-	-	24,151,192
Total Fund Balance	\$ 428,214,363	\$ 309,183,869	\$ 82,829,254	\$ 120,749,309	\$ 940,976,795

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The San Francisco Unified School District's defined benefit OPEB plan, San Francisco Unified School District Retiree Benefit Plan (the Plan) is an agent multiple employer defined benefit plan. 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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

B. OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued financial report. That report may be obtained by contacting HSS.

C. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

Benefit types provided	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>	<u>ParaProfessionals</u>
Duration of Benefits	Medical only	Medical only	Medical only	Medical only
Required Service	Lifetime	Lifetime	Lifetime	Lifetime
	20 years*	50% 10-14 years service 75% 15-19 years service 100% 20+ years service***	50% 10-14 years service 75% 15-19 years service 100% 20+ years service***	20 years**
Minimum Age	55	50	50	55
Dependent Coverage	One dependent	One dependent	One dependent	One dependent
District Contribution %	Non-Medicare Retiree Coverage: Retirees pay 50% of active employee contributions up to cap Medicare Retiree Coverage: Retirees pay 50% of the difference between active employee contributions up to cap First Dependent: Retiree pays 50% of cost Additional Dependents: Retiree pays 100% of cost			
District Cap	Based on 10 County survey, Proposition E, and other considerations			

*Those hired prior to 7/1/04 have a lower service requirement. Terminated, vested employees are eligible to receive benefits upon commencement of pension benefits pursuant to the terms of the plan.

**Those hired prior to 7/1/06 may have a lower service requirement

***Those hired prior to January 10, 2009 have a 5 year service requirement

D. Contributions

For the measurement period, the District contributed \$37,161,983 to the Plan, \$32,161,983 of which was used for current premiums.

E. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	4,884
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	7,868
Total number of participants**	12,752

*Information not provided

**As of the June 30, 2021 valuation date

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2023, were as follows:

Total OPEB liability	\$ 931,098,216
Plan fiduciary net position	(32,285,911)
District's net OPEB liability	\$ 898,812,305
Plan fiduciary net position as a percentage of total OPEB liability	3.47%

G. Investments

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 the valuation date.

Concentrations

The Plan's assumed asset allocation and assumed rate of return for each is as follows:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All equities	40.00%	7.55%
All fixed income	43.00%	4.25%
Real estate investment trusts	8.00%	7.25%
All commodities	4.00%	7.55%
Treasury inflation protected securities (TIPS)	5.00%	3.00%

Rate of Return

For the year ended, June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 6.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Actuarial Assumptions and Other Inputs

The net OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	4.10%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
Classified	2020 SFERS Mortality Table

Retirement rates:

Certificated	Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates
	Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates
Classified	Hired 2012 and earlier: SFERS Retirement Rates – NonPEPRA
	Hired 2013 and later: SFERS Retirement Rates - PEPRA

The actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty-five years.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

I. Changes in Net OPEB Liability

	<u>June 30, 2023</u>
Total OPEB Liability	
Service cost	\$ 57,587,028
Interest on total OPEB liability	30,459,621
Difference between expected and actual experience	845,755
Changes of assumptions	(196,469,072)
Benefits payments	<u>(32,161,983)</u>
Net change in total OPEB liability	(139,738,651)
Total OPEB liability - beginning	<u>1,070,836,867</u>
Total OPEB liability - ending (a)	<u>\$ 931,098,216</u>
Plan fiduciary net position	
Contributions - employer	\$ 37,161,983
Net investment income	(4,750,512)
Benefit payments	(32,161,983)
Administrative expenses	<u>(8,729)</u>
Net change in plan fiduciary net position	240,759
Plan fiduciary net position - beginning	<u>32,045,152</u>
Plan fiduciary net position - ending (b)	<u>\$ 32,285,911</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 898,812,305</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.47%
Covered-employee payroll	\$ 538,952,567
District's net OPEB liability as a percentage of covered-employee payroll	166.77%

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the San Francisco Unified School District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Valuation		
	1% Decrease	Discount Rate	1% Increase
	<u>(3.10%)</u>	<u>(4.10%)</u>	<u>(5.10%)</u>
Net OPEB liability	\$ 1,047,780,690	\$ 898,812,305	\$ 789,325,544

K. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the San Francisco Unified School District, 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 percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	Health Care		
	Trend Rate	1% Increase	
	<u>(3.00%)</u>	<u>(4.00%)</u>	<u>(5.00%)</u>
Net OPEB liability	\$ 751,105,902	\$ 898,812,305	\$ 1,077,490,601

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the San Francisco Unified School District recognized OPEB expense of \$76,524,957. At June 30, 2023, the San Francisco Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 3,438,456	\$ -
Differences between expected and actual experience	1,513,777	71,236,166
Changes in assumptions	158,240,963	188,503,108
District contributions subsequent to the measurement date	34,048,533	-
Total	\$ 197,241,729	\$ 259,739,274

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

The \$34,048,533 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 26,932,979	\$ 36,304,601
2025	27,018,425	36,304,601
2026	26,963,088	36,304,601
2027	27,667,824	36,304,599
2028	26,285,965	32,957,258
Thereafter	28,324,915	81,563,614
Total	\$ 163,193,196	\$ 259,739,274

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the San Francisco Employees' Retirement System (SFERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 550,771,629	\$ 207,026,288	\$ 77,410,274	\$ (20,605,344)
SFERS Pension	75,515,937	45,929,651	23,709,429	(3,756,485)
Total	\$ 626,287,566	\$ 252,955,939	\$ 101,119,703	\$ (24,361,829)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2023, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$84,583,239 for the year ended June 30, 2023.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$44,234,649 to CalSTRS.

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

At June 30, 2023, 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:

District's proportionate share of the net pension liability	\$ 550,771,629
State's proportionate share of the net pension liability associated with the District	275,828,045
Total	\$ 826,599,674

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. 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, actuarially determined. At June 30, 2022, the District's proportion was 0.793 percent, which was a decrease of 0.004 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$(20,605,344). In addition, the District recognized pension expense and revenue of \$(20,629,743) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	26,925,873
Differences between expected and actual experience	451,803	41,296,379
Changes in assumptions	27,314,265	-
Changes in proportion and differences between District contributions and proportionate share of contributions	94,676,981	9,188,022
District contributions subsequent to the measurement date	84,583,239	-
Total	\$ 207,026,288	\$ 77,410,274

The \$84,583,239 reported as 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 year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 51,898,653	\$ 30,634,100
2025	23,990,531	32,290,711
2026	20,058,978	42,912,045
2027	10,634,103	(37,881,428)
2028	7,930,392	7,560,444
2029	7,930,392	1,894,402
Total	\$ 122,443,049	\$ 77,410,274

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan'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 the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 935,414,504	\$ 550,771,629	\$ 231,402,397

Pension Plan Fiduciary Net Position

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

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

B. 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, 2023 were \$19,174,069. Employee contribution rates for fiscal year 2022-2023 varied from 7.5% to 11.0% 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 2022-2023 was 21.35%.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

B. San Francisco Employees' Retirement System (SFERS) (continued)

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

At June 30, 2023, the District reported a liability of \$75,515,937 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. 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 agencies, actuarially determined. At June 30, 2022, the District's proportion was 2.806 percent, which was a decrease of 0.195 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$(3,756,485). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 5,887,943
Differences between expected and actual experience	6,892,899	-
Changes in assumptions	19,622,136	9,386,979
Changes in proportion and differences between District contributions and proportionate share of contributions	240,547	8,434,507
District contributions subsequent to the measurement date	<u>19,174,069</u>	-
Total	\$ 45,929,651	\$ 23,709,429

The \$19,174,069 reported as 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 year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 9,171,756	\$ 16,874,754
2025	6,886,125	15,816,205
2026	5,730,755	18,425,947
2027	4,966,946	(27,407,477)
Total	\$ 26,755,582	\$ 23,709,429

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

B. San Francisco Employees' Retirement System (SFERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of July 1, 2020, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.40%
Salary Increases	3.25% plus merit component based on employee classification and years of service

For General healthy annuitants, the sex distinct 2010 Pub-G healthy annuitant mortality table, adjusted 0.977 for females and 1.031 for males. For Safety healthy annuitants, the sex distinct 2010 Pub-S healthy annuitant mortality table, adjusted 1.044 for females and 0.947 for males.

For General active members, the sex distinct 2010 Pub-G employee mortality tables, adjusted 0.866 for females and 0.834 for males. For Safety active members, the sex distinct 2010 Pub-S employee mortality tables, adjusted 0.979 for females and 1.011 for males.

Rates are projected generationally from the base year using a modified version of the MP-2019 projection scale.

Benefit changes made prior to July 1, 2014 are amortized over closed 20-year periods as a level percentage of payroll.

The unfunded actuarial liability (UAL) as of July 1, 2013 not attributable to benefit changes was amortized over a closed 19-year period starting July 1, 2014.

Assumption changes and experience gains and losses are amortized over a closed 20-year period as a level percentage of payroll.

Increases in the UAL due to Supplemental COLAs are amortized over a closed 5-year period.

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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

B. San Francisco Employees' Retirement System (SFERS) (continued)

Actuarial Assumptions (continued)

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	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	37.00%	4.80%
Treasuries	8.00%	0.60%
Liquid Credit	5.00%	3.50%
Private Credit	10.00%	5.80%
Private Equity	23.00%	7.90%
Real Assets	10.00%	4.70%
Hedge Funds/Absolute Return	10.00%	3.40%
Leverage	-3.00%	0.60%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 was 7.20%. 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, 2022, 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 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent that they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2022, rounded to two decimals is 7.20%.

The municipal bond rate of 3.54% used to determine the above discount rate represents the yield on the Bond Buyer 20-Bond GO Index.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – PENSION PLANS (continued)

B. San Francisco Employees' Retirement System (SFERS) (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 206,790,926	\$ 75,515,937	\$ (32,704,468)

Pension Plan Fiduciary Net Position

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

NOTE 12 – RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund and Self-Insurance Fund. 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.

Effective July 1, 2022, the District became a member of the Alliance for Schools Cooperative Insurance Programs (ASCP), a JPA. There were no settlements that surpassed the District's SIR(s) during the fiscal year.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 12 – RISK MANAGEMENT (continued)

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, 2021 to June 30, 2023:

	Total
Liability Balance, July 01, 2021	\$ 23,020,801
Claims & changes in estimates	16,610,470
Claims payments	(18,690,276)
Liability Balance, July 01, 2022	20,940,995
Claims & changes in estimates	27,240,794
Claims payments	(25,449,789)
Liability Balance, June 30, 2023	<u>\$ 22,732,000</u>

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

C. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished capital projects of \$92,569,604.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the School Project for Utility Rate Reduction (SPURR), the Schools Excess Liability Fund (SELF), and the Alliance for Schools Cooperative Insurance Programs (ASCP). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflows and inflows of resources are recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2023, the deferred outflows related to refunding were \$2,340,144 and the deferred inflows related to refunding were \$4,724,156.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2023, total deferred outflows related to pensions was \$252,955,939 and total deferred inflows related to pensions was \$101,119,703.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2023, total deferred outflows related to other postemployment benefits was \$197,241,729 and total deferred inflows related to other postemployment benefits was \$259,739,274.

D. Leases

Pursuant to GASB Statement No. 87, *Leases*, the District recognized deferred inflows of resources related to leases in the District-wide financial statements. Further information regarding the deferred inflows of resources can be found at Note 3. At June 30, 2023, total deferred inflows related to leases was \$63,757,306.

REQUIRED SUPPLEMENTARY INFORMATION

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 571,260,166	\$ 614,203,860	\$ 658,899,172	\$ 44,695,312
Federal sources	53,600,849	122,854,096	69,030,579	(53,823,517)
Other state sources	198,886,902	298,017,796	224,167,362	(73,850,434)
Other local sources	287,077,355	262,175,240	290,396,673	28,221,433
Total Revenues	1,110,825,272	1,297,250,992	1,242,493,786	(54,757,206)
EXPENDITURES				
Certificated salaries	442,084,536	467,709,691	444,952,698	22,756,993
Classified salaries	178,006,716	190,452,431	154,462,150	35,990,281
Employee benefits	287,028,685	299,079,359	282,529,180	16,550,179
Books and supplies	30,555,204	46,401,878	32,439,855	13,962,023
Services and other operating expenditures	156,031,668	197,323,936	186,204,429	11,119,507
Capital outlay	175,000	2,041,212	1,498,146	543,066
Other outgo				
Excluding transfers of indirect costs	2,237,671	1,380,207	3,958,298	(2,578,091)
Transfers of indirect costs	(2,623,250)	(2,106,650)	(2,212,288)	105,638
Total Expenditures	1,093,496,230	1,202,282,064	1,103,832,468	98,449,596
Excess (Deficiency) of Revenues				
Over Expenditures	17,329,042	94,968,928	138,661,318	43,692,390
Other Financing Sources (Uses)				
Transfers out	(6,928,216)	(5,317,595)	(18,369,684)	(13,052,089)
Net Financing Sources (Uses)	(6,928,216)	(5,317,595)	(18,369,684)	(13,052,089)
NET CHANGE IN FUND BALANCE	10,400,826	89,651,333	120,291,634	30,640,301
Fund Balance - Beginning	235,763,478	294,701,526	292,994,376	(1,707,150)
Fund Balance - Ending	\$ 246,164,304	\$ 384,352,859	\$ 413,286,010	\$ 28,933,151

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because audit adjustments are not included in this schedule.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability						
Service cost	\$ 57,587,028	\$ 84,611,510	\$ 59,685,804	\$ 51,933,729	\$ 54,233,883	\$ 52,782,368
Interest on total OPEB liability	30,459,621	24,499,239	29,577,687	29,157,278	28,342,781	24,365,832
Difference between expected and actual experience	845,755	(47,191,030)	1,121,836	(60,193,912)	-	-
Changes of assumptions	(196,469,072)	6,603,899	173,799,040	62,007,951	(30,126,085)	-
Benefits payments	(32,161,983)	(36,772,723)	(32,594,010)	(31,870,502)	(29,470,435)	(28,336,957)
Net change in total OPEB liability	(139,738,651)	31,750,895	231,590,357	51,034,544	22,980,144	48,811,243
Total OPEB liability - beginning	1,070,836,867	1,039,085,972	807,495,615	756,461,071	733,480,927	684,669,684
Total OPEB liability - ending (a)	<u>\$ 931,098,216</u>	<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 - employer	\$ 37,161,983	\$ 36,772,723	\$ 32,594,010	\$ 56,870,502	\$ -	\$ -
Net investment income	(4,750,512)	5,264,751	1,375,651	427,235	-	-
Benefit payments	(32,161,983)	(36,772,723)	(32,594,010)	(31,870,502)	-	-
Administrative expenses	(8,729)	(9,752)	(12,541)	(192)	-	-
Net change in plan fiduciary net position	240,759	5,254,999	1,363,110	25,427,043	-	-
Plan fiduciary net position - beginning	32,045,152	26,790,153	25,427,043	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 32,285,911</u>	<u>\$ 32,045,152</u>	<u>\$ 26,790,153</u>	<u>\$ 25,427,043</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 898,812,305</u>	<u>\$ 1,038,791,715</u>	<u>\$ 1,012,295,819</u>	<u>\$ 782,068,572</u>	<u>\$ 756,461,071</u>	<u>\$ 733,480,927</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.47%	2.99%	2.58%	3.15%	0.00%	0.00%
Covered-employee payroll	\$ 538,952,567	\$ 540,512,000	\$ 551,088,000	\$ 520,368,000	\$ 433,224,000	\$ 411,662,000
District's net OPEB liability as a percentage of covered-employee payroll	166.77%	192.19%	183.69%	150.29%	174.61%	178.18%

See accompanying notes to required supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.793%	0.797%	0.796%	0.769%	0.702%	0.668%	0.624%	0.768%	0.655%
District's proportionate share of the net pension liability	\$ 550,771,629	\$ 362,752,000	\$ 771,296,000	\$ 694,175,000	\$ 645,548,000	\$ 617,389,000	\$ 504,375,000	\$ 517,072,000	\$ 382,762,000
State's proportionate share of the net pension liability associated with the District	275,828,045	182,523,000	397,603,000	378,719,000	369,607,000	365,242,000	287,132,000	273,474,000	231,113,000
Total	\$ 826,599,674	\$ 545,275,000	\$ 1,168,899,000	\$ 1,072,894,000	\$ 1,015,155,000	\$ 982,631,000	\$ 791,507,000	\$ 790,546,000	\$ 613,875,000
District's covered payroll	\$ 400,940,000	\$ 420,056,000	\$ 436,961,000	\$ 413,728,000	\$ 372,505,000	\$ 353,820,000	\$ 334,115,000	\$ 314,358,000	\$ 300,327,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	137.4%	86.4%	176.5%	167.8%	173.3%	174.5%	151.0%	164.5%	127.4%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - SFERS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	2.806%	3.001%	3.165%	3.177%	3.155%	3.093%	2.970%	3.119%	2.976%
District's proportionate share of the net pension liability	\$ 75,515,937	\$ (77,578,000)	\$ 171,241,000	\$ 142,232,000	\$ 135,128,000	\$ 154,445,000	\$ 172,628,000	\$ 71,606,000	\$ 52,686,000
District's covered payroll	\$ 108,753,000	\$ 120,456,000	\$ 114,126,000	\$ 106,640,000	\$ 82,059,000	\$ 79,404,000	\$ 77,547,000	\$ 69,040,000	\$ 63,892
District's proportionate share of the net pension liability as a percentage of its covered payroll	69.4%	-64.4%	150.0%	133.4%	164.7%	194.5%	222.6%	103.7%	82461.0%
Plan fiduciary net position as a percentage of the total pension liability	92.4%	107.8%	83.0%	85.0%	85.0%	82.0%	78.0%	90.0%	92.0%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 84,583,239	\$ 69,140,729	\$ 67,839,000	\$ 74,720,000	\$ 67,355,000	\$ 53,764,000	\$ 44,510,000	\$ 35,778,000	\$ 27,915,000
Contributions in relation to the contractually required contribution*	(84,583,239)	(69,140,729)	(67,839,000)	(74,720,000)	(67,355,000)	(53,764,000)	(44,510,000)	(35,778,000)	(27,915,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 437,436,054	\$ 400,940,000	\$ 420,056,000	\$ 436,961,000	\$ 413,728,000	\$ 372,505,000	\$ 353,820,000	\$ 334,115,000	\$ 314,358,000
Contributions as a percentage of covered payroll	19.34%	17.24%	16.15%	17.10%	16.28%	14.43%	12.58%	10.71%	8.88%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - SFERS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 19,174,069	\$ 22,089,000	\$ 25,105,000	\$ 23,510,000	\$ 20,496,000	\$ 19,530,000	\$ 17,068,000	\$ 15,645,000	\$ 18,483,000
Contributions in relation to the contractually required contribution*	(19,174,069)	(22,089,000)	(25,105,000)	(23,510,000)	(20,496,000)	(19,530,000)	(17,068,000)	(15,645,000)	(18,483,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 101,516,513	\$ 108,753,000	\$ 120,456,000	\$ 114,126,000	\$ 106,640,000	\$ 82,059,000	\$ 79,404,000	\$ 77,547,000	\$ 69,040,000
Contributions as a percentage of covered payroll	18.89%	20.31%	20.84%	20.60%	19.22%	23.80%	21.50%	20.17%	26.77%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Net OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation.

Changes in Assumptions

The interest assumption changed from 2.81% to 4.10% since the previous measurement.

Schedule of the District Contributions for OPEB

This 10-year schedule is not required to be presented as there was no actuarially determined contribution, nor any contribution requirement established by statute or contract.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and SFERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS. The discount rate changed from 7.40% to 7.20% since the previous measurement for SFERS.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Other outgo			
Excluding transfers of indirect costs	\$ 1,380,207	\$ 3,958,298	\$ 2,578,091

SUPPLEMENTARY INFORMATION

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected Comprehensive Support and Improvement for LEAs	84.010	14329	\$ 4,490,217
Schoolwide Programs (SWP)	84.010	15438	779,092
School Improvement (CSI) funding for COEs	84.010	10003	7,141,070
Title I, Part D, Local Delinquent Programs	84.010	15439	71,019
Subtotal Title I, Part A	84.010	14357	161,409
			<u>12,642,807</u>
Title I, Migrant Education			
Title I, Migrant Education	84.011	14326	106,062
Title I, Migrant Ed Summer Program	84.011	10005	<u>37,852</u>
Subtotal Title I, Migrant Education			<u>143,914</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	1,888,520
Title III, English Learner Student Program	84.365	14346	1,901,152
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	666,352
Title IV, Part B			
Title IV, 21st Century Community Learning Centers (CCLC) Technical Assistance	84.287	14350	75,321
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	<u>1,614,770</u>
Subtotal Title IV, Part B			<u>1,690,091</u>
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	76,731
Indian Education	84.060	10011	18,920
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	11,073,549
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	2,452,493
ARP IDEA Part B, Sec. 611, Local Assistance Coordinated Early Intervening Services	84.027	10170	432,793
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	604,491
ARP IDEA Part B, Sec 619, Preschool Grants	84.173	15639	210,111
ARP IDEA Part B, Sec. 619, Preschool Grants Coordinated Early Intervening Services	84.173	10171	37,078
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	28,687
IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	1,653,859
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	282,135
IDEA Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	<u>18,582</u>
Subtotal Special Education Cluster			<u>16,793,778</u>
IDEA Early Intervention Grants, Part C	84.181	23761	162,626
Perkins V			
Strengthening Career and Technical Education, 21st Century (Perkins V): State Leadership	84.048	14891	36,449
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	<u>435,565</u>
Subtotal Perkins V			<u>472,014</u>
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	6,077,171
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	8,550,772
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	2,220,695
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	5,577,828
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	1,339,501
ARP Homeless Children and Youth - Statewide Activities (ARP- HYC Statewide Activities)	84.425	15636	201,554
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	111,298
After School Education and Safety (ASES) Rate Increase: ESSER III Summer Learning Prog	84.425	15652	<u>1,623,804</u>
Subtotal Education Stabilization Fund Discretionary Grants			<u>25,702,623</u>
Education Innovation and Research	84.411A	*	<u>637,752</u>
Total U. S. Department of Education			<u>62,797,280</u>

(continued on the next page)

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	2,469,980
National School Lunch Program	10.555	13391	13,216,785
USDA Commodities	10.555	*	1,635,723
Summer Food Service Program for Children	10.559	13004	359,907
Supply Chain Assistance (SCA) Funds	10.555	15655	1,179,933
Subtotal Child Nutrition Cluster			<u>18,862,328</u>
<i>Passed through California Department of Social Services:</i>			
Child and Adult Care Food Program (CACFP)	10.558	13393	6,197,032
CACFP Claims - Centers and Family Day Care			<u>6,197,032</u>
Subtotal Child and Adult Care Food Program			<u>25,059,360</u>
Total U. S. Department of Agriculture			
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Social Services:</i>			
Child Care and Development Block Grant			
Federal General Child Care and Dev (CCTR)	93.596	13609	4,972,737
Cooperative Agreements to Promote Adolescent Health through			
School-Based HIV/STD Prevention and School-Based Surveillance	93.079	*	274,694
CDC - COVID 19 Supplement	93.unknown	*	125,626
Total U. S. Department of Health & Human Services			<u>5,373,057</u>
U. S. DEPARTMENT OF DEFENSE:			
<i>Passed through California Department of Education:</i>			
Junior Reserve Officers Training Corp	12.357	*	1,005,405
Total U. S. Department of Defense			<u>1,005,405</u>
FEDERAL COMMUNICATIONS COMMISSION:			
Emergency Connectivity Fund Reimbursement	32.009	*	5,914,479
Total Federal Communications Commission			<u>5,914,479</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
AmeriCorps Student Success Coach	94.unknown	*	84,836
Total Corporation for National and Community Service			<u>84,836</u>
NATIONAL SCIENCE FOUNDATION:			
Collaborative Research: CS4SF: A Scalable Model for Preparing High School Teachers to Provide Rigorous, Inclusive Computer Science Instruction	47.070	*	42,718
Total National Science Foundation			<u>42,718</u>
Total Federal Expenditures			<u>\$ 100,277,135</u>

* - Pass-Through Entity Identifying Number not available or not applicable

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) – SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2023**

	Second Period Report	Revised Second Period Report*	Annual Report	Revised Annual Report*
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	14,410.57	14,409.84	14,468.32	14,467.58
Extended Year Special Education	25.59	25.59	25.59	25.59
Special Education - Nonpublic Schools	2.64	2.64	2.97	2.97
Extended Year Special Education - Nonpublic Schools	0.11	0.11	0.11	0.11
Total TK/K through Third	14,438.91	14,438.18	14,496.99	14,496.25
Fourth through Sixth				
Regular ADA	10,189.14	10,189.14	10,215.67	10,215.67
Extended Year Special Education	16.21	16.21	16.21	16.21
Special Education - Nonpublic Schools	6.05	6.05	6.69	6.69
Extended Year Special Education - Nonpublic Schools	0.72	0.72	0.72	0.72
Total Fourth through Sixth	10,212.12	10,212.12	10,239.29	10,239.29
Seventh through Eighth				
Regular ADA	6,077.51	6,077.51	6,093.09	6,093.09
Extended Year Special Education	6.07	6.07	6.07	6.07
Special Education - Nonpublic Schools	9.20	9.20	11.41	11.41
Extended Year Special Education - Nonpublic Schools	0.93	0.93	0.93	0.93
Total Seventh through Eighth	6,093.71	6,093.71	6,111.50	6,111.50
Ninth through Twelfth				
Regular ADA	14,029.67	14,029.67	14,004.36	14,004.36
Extended Year Special Education	29.34	29.34	29.34	29.34
Special Education - Nonpublic Schools	53.12	53.12	56.74	56.74
Extended Year Special Education - Nonpublic Schools	7.45	7.45	7.45	7.45
Total Ninth through Twelfth	14,119.58	14,119.58	14,097.89	14,097.89
TOTAL SCHOOL DISTRICT	44,864.32	44,863.59	44,945.67	44,944.93

*Revisions for the Second Period Report and Annual Report have not yet been processed, see finding #2023-012.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) – COUNTY OFFICE OF EDUCATION
FOR THE YEAR ENDED JUNE 30, 2023**

	Second Period Report	Annual Report
DISTRICT FUNDED COUNTY PROGRAMS		
Seventh through Eighth		
County Community Schools	3.05	4.05
Total Seventh through Eighth	3.05	4.05
Ninth through Twelfth		
County Community Schools	22.42	23.25
Special Education - Nonpublic Schools	5.62	7.04
Extended Year Special Education - Nonpublic Schools	0.41	0.41
Total Ninth through Twelfth	28.45	30.70
Total District Funded County Programs	31.50	34.75
ALTERNATIVE EDUCATION GRANT PROGRAMS		
JUVENILE COURT SCHOOLS		
ELEMENTARY		
Juvenile Halls, Homes, and Camps	1.07	1.68
Total Elementary	1.07	1.68
SECONDARY		
Juvenile Halls, Homes, and Camps	12.19	13.73
Total Secondary	12.19	13.73
Total Juvenile Court Schools	13.26	15.41
COUNTY FUNDED NON-JUVENILE COURT SCHOOLS		
SECONDARY		
Probation Referred, On Probation or Parole, or Expelled	11.62	13.41
Total Secondary	11.62	13.41
Total County Funded Non-Juvenile Court Schools	11.62	13.41

See accompanying notes to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023**

Grade Level	Minutes Requirement	2022-23		
		Actual Minutes	Number of Days	Status
Kindergarten	36,000	45,840	180	Complied
Grade 1	50,400	50,550	180	Complied
Grade 2	50,400	50,550	180	Complied
Grade 3	50,400	50,550	180	Complied
Grade 4	54,000	54,016	180	Complied
Grade 5	54,000	54,012	180	Complied
Grade 6	54,000	55,887	180	Complied
Grade 7	54,000	55,887	180	Complied
Grade 8	54,000	55,887	180	Complied
Grade 9	64,800	64,800	180	Complied
Grade 10	64,800	64,800	180	Complied
Grade 11	64,800	64,800	180	Complied
Grade 12	64,800	64,800	180	Complied

See accompanying notes to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

	2024 (Budget)	2023	2022	2021
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 1,142,702,019	\$ 1,242,493,786	\$ 1,308,886,105	\$ 988,792,489
Expenditures And Other Financing Uses	1,170,004,416	1,122,202,152	1,142,113,764	925,352,561
Net change in Fund Balance	<u>\$ (27,302,397)</u>	<u>\$ 120,291,634</u>	<u>\$ 166,772,341</u>	<u>\$ 63,439,928</u>
Ending Fund Balance	\$ 385,983,613	\$ 413,286,010	\$ 292,994,376	\$ 126,222,035
Available Reserves*	\$ 23,700,000	\$ 24,151,192	\$ 135,962,485	\$ 39,730,000
Available Reserves As A Percentage Of Outgo	2.03%	2.15%	11.90%	4.29%
Long-term Liabilities	\$ 2,580,349,032	\$ 2,675,688,676	\$ 2,580,517,965	\$ 2,047,419,984
Average Daily Attendance At P-2***	44,905	44,864	44,733	50,195

The General Fund ending fund balance has increased by \$287,063,975 over the past two years. However, the fiscal year 2023-24 budget projects a decrease of \$27,302,397. For a District this size, the State recommends available reserves of at least 2% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have increased by \$628,268,692 over the past two years.

Average daily attendance has decreased by 5,331 ADA over the past two years. An increase of 41 ADA is anticipated during the 2023-24 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include audit adjustments.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund
June 30, 2023, annual financial and budget report fund balance	\$ 413,286,010
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Accounts receivable (Arts, Music, and Instructional Materials Grant)	13,221,203
Leases receivable	(2,130,187)
Deferred inflows related to leases	3,837,337
Net adjustments and reclassifications	<hr/> <hr/> 14,928,353
June 30, 2023, audited financial statement fund balance	<hr/> <hr/> \$ 428,214,363

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2023**

Charter #	Charter School	Status	Included in Audit Report
0158	Thomas Edison Charter Academy	Active	No
0567	Five Keys Charter School (SF Sheriff's)	Active	No
1028	Five Keys Independence High School (SF Sheriff's)	Active	No
0140	Life Learning Academy Charter	Active	No
1267	Gateway Middle School	Active	No
1270	Mission Preparatory	Active	No
1502	KIPP San Francisco College Preparatory	Active	No
0549	KIPP Bayview Academy	Active	No
0599	City Arts and Tech High School	Active	No
0551	KIPP San Francisco Bay Academy	Active	No
0141	Gateway High School	Active	No
0040	Creative Arts Charter School	Active	No

See accompanying notes to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2023**

	Student Activity Fund	County School Service Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Tax Override Fund	Non-Major Governmental Funds
ASSETS													
Cash and investments	\$ 4,235,755	\$ 9,657,362	\$ 449,431	\$ 9,087,305	\$ 8,337,409	\$ 19,947,047	\$ 40,117,286	\$ 957,163	\$ 3,402,343	\$ 13,269,593	\$ 9,168,880	\$ 33,297	\$ 118,662,871
Accounts receivable	-	919,581	-	7,684,822	9,846,374	115,566	231,318	5,341	19,616	-	52,926	-	18,875,544
Stores inventory	-	-	-	97,691	-	-	-	-	-	-	-	-	97,691
Total Assets	\$ 4,235,755	\$ 10,576,943	\$ 449,431	\$ 16,772,127	\$ 18,281,474	\$ 20,062,613	\$ 40,348,604	\$ 962,504	\$ 3,421,959	\$ 13,269,593	\$ 9,221,806	\$ 33,297	\$ 137,636,106
LIABILITIES													
Accrued liabilities	\$ -	\$ 551,062	\$ 843	\$ 1,372,443	\$ 2,469,658	\$ 447,986	\$ 953,039	\$ 17,458	\$ 21,723	\$ 1,999,189	\$ 439,641	\$ -	\$ 8,273,042
Unearned revenue	-	1,078,868	-	7,187,593	-	-	-	-	-	347,294	-	-	8,613,755
Total Liabilities	-	1,629,930	843	8,560,036	2,469,658	447,986	953,039	17,458	21,723	2,346,483	439,641	-	16,886,797
FUND BALANCES													
Non-spendable	-	-	-	109,039	-	-	-	-	-	-	-	-	109,039
Restricted	4,235,755	4,495,637	448,588	4,853,525	15,702,777	-	5,942,876	945,046	3,400,236	10,923,110	8,719,573	\$ 33,297	59,700,420
Committed	-	4,451,376	-	-	-	19,614,627	-	-	-	-	-	-	24,066,003
Assigned	-	-	-	3,358,566	-	-	33,452,689	-	-	-	62,592	-	36,873,847
Total Fund Balances	4,235,755	8,947,013	448,588	8,212,091	15,811,816	19,614,627	39,395,565	945,046	3,400,236	10,923,110	8,782,165	33,297	120,749,309
Total Liabilities and Fund Balances	\$ 4,235,755	\$ 10,576,943	\$ 449,431	\$ 16,772,127	\$ 18,281,474	\$ 20,062,613	\$ 40,348,604	\$ 962,504	\$ 3,421,959	\$ 13,269,593	\$ 9,221,806	\$ 33,297	\$ 137,636,106

See accompanying notes to supplementary information.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Student Activity Fund	County School Service Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Tax Override Fund	Non-Major Governmental Funds
REVENUES													
LCFF sources	\$ -	\$ 11,295,743	\$ -	\$ -	\$ 4,972,737	\$ 26,625,776	\$ 8,983,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,279,265
Federal sources	-	1,214,459	-	-	-	-	-	-	-	-	-	-	32,812,972
Other state sources	-	1,456,211	437,708	32,747,260	10,714,991	-	-	-	-	-	-	-	45,356,170
Other local sources	2,855,440	102,758	(6,604)	6,886,209	3,599,326	76,731	9,887,671	20,140	65,306	5,372,315	10,789,063	-	39,648,355
Total Revenues	2,855,440	14,069,171	431,104	44,606,206	40,940,093	9,060,253	9,887,671	20,140	65,306	5,372,315	10,789,063	-	138,096,762
EXPENDITURES													
Current													
Instruction	-	4,430,484	74,830	26,954,178	-	-	-	-	-	-	-	-	31,459,492
Instruction-related services	-	1,098,097	101,561	5,516,220	-	-	-	-	-	-	-	-	6,715,878
Instructional supervision and administration	-	-	-	1,347	-	-	-	-	-	-	-	-	1,347
Instructional library, media, and technology	-	1,488,795	-	6,039,333	-	-	-	-	-	-	-	-	7,528,128
School site administration	-	-	-	-	-	-	-	-	-	-	-	-	-
Pupil services													
Food services	-	-	-	2,032,662	30,111,595	-	-	-	-	-	-	-	32,144,257
All other pupil services	-	1,623,967	53,355	164,295	-	-	-	-	-	-	-	-	1,841,617
General administration													
Centralized data processing	-	149	-	-	-	-	-	-	-	-	-	-	149
All other general administration	-	4,516,070	9,902	1,652,619	549,766	-	-	-	-	-	-	-	6,728,357
Plant services	-	61,953	-	403,682	-	-	-	-	-	-	-	-	739,218
Facilities acquisition and construction	-	-	-	-	-	2,087,306	8,378,883	349,150	96,809	5,240,598	6,501,698	-	22,654,444
Ancillary services	2,688,455	-	-	-	-	-	-	-	-	-	-	-	2,688,455
Debt service													
Interest and other	-	-	-	-	-	-	-	-	-	-	35,143	-	35,143
Total Expenditures	2,688,455	13,219,515	239,648	42,764,336	30,661,361	2,087,306	8,378,883	349,150	96,809	5,275,741	6,775,281	-	112,536,485
Excess (Deficiency) of Revenues													
Over Expenditures	166,985	849,656	191,456	1,841,870	10,278,732	6,972,947	1,508,788	(329,010)	(31,503)	96,574	4,013,782	-	25,560,277
Other Financing Sources (Uses)													
Transfers in	-	-	-	1,650,975	-	-	-	-	-	35,143	-	-	1,686,118
Transfers out	-	-	-	-	-	-	-	-	-	-	(2,640,975)	-	(2,640,975)
Net Financing Sources (Uses)	-	-	-	1,650,975	-	-	-	-	-	35,143	(2,640,975)	-	(954,857)
NET CHANGE IN FUND BALANCE	166,985	849,656	191,456	3,492,845	10,278,732	6,972,947	1,508,788	(329,010)	(31,503)	131,717	1,372,807	-	24,605,420
Fund Balance - Beginning	4,068,770	8,097,357	257,132	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
Fund Balance - Ending	\$ 4,235,755	\$ 8,947,013	\$ 448,588	\$ 8,212,091	\$ 15,811,816	\$ 19,614,627	\$ 39,395,565	\$ 945,046	\$ 3,400,236	\$ 10,923,110	\$ 8,782,165	\$ 33,297	\$ 120,749,309

See accompanying notes to supplementary information.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2023**

The San Francisco Unified School District was established in 1851 and is comprised of an area of approximately 49 square miles located in San Francisco County. There were no changes in the boundaries of the District during the current year. The District is operating 8 alternatively configured (TK-8), 64 elementary schools, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), 8 court and county community schools, 34 state-funded preschool sites, and 12 early education centers. The District sponsors 14 independent charter schools.

GOVERNING BOARD*

Member	Office	Term Expires
Lainie Motamedi	President	2026
Matt Alexander	Vice-President	2024
Kevine Boggess	Commissioner	2024
Alida Fisher	Commissioner	2026
Jenny Lam	Commissioner	2024
Mark Sanchez	Commissioner	2024
Lisa Weissman-Ward	Commissioner	2026

DISTRICT ADMINISTRATORS*

Dr. Matt Wayne
Superintendent

Jackie Chen
Chief, Financial

*The Governing Board and District Administrators listed above are as of January 2024.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2023 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2023.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 104,198,709
Supply Chain Assistance (SCA) Funds	10.555	(1,566,416)
Build America Bonds	*	<u>(2,355,158)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 100,277,135</u>

*AL Number is not applicable

The District has not elected to use the 10 percent de minimis indirect cost rate.

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

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

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.

OTHER INDEPENDENT AUDITORS' REPORTS



Certified Public Accountants serving
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

Governing Board
San Francisco Unified School District
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Francisco Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the San Francisco Unified School District's basic financial statements, and have issued our report thereon dated April 30, 2024.

Report on Internal Control over Financial Reporting

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

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding #2023-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings #2023-002 through #2023-006.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Francisco Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

San Francisco Unified School District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Christy White, Inc." The signature is fluid and cursive, with "Christy" and "White" connected by a single stroke, and "Inc." written in a smaller, separate area.

San Diego, California
April 30, 2024



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
San Francisco Unified School District
San Francisco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Francisco Unified School District's 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 San Francisco Unified School District's major federal programs for the year ended June 30, 2023. San Francisco Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, San Francisco Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (*CFR*) 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 San Francisco Unified School 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 audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of San Francisco Unified School District's compliance with the compliance 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 the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to San Francisco Unified School District's federal programs.

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Auditor's Responsibilities for the Audit for 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 San Francisco Unified School 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one 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, they would influence the judgement made by a reasonable user of the report on compliance about San Francisco Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 San Francisco Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Francisco Unified School 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 San Francisco Unified School 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

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding #2023-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on San Francisco Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. San Francisco Unified School 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

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 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.

Report on Internal Control Over Compliance (continued)

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

A handwritten signature in blue ink that reads "Christy White, Inc." The signature is fluid and cursive, with "Christy" and "White" connected by a single stroke, and "Inc." written in a smaller, more formal script to the right.

San Diego, California
April 30, 2024



Certified Public Accountants serving
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REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

Governing Board
San Francisco Unified School District
San Francisco, California

Report on State Compliance

Opinion on State Compliance

We have audited San Francisco Unified School District's compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to San Francisco Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2023.

In our opinion, San Francisco Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2023.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of San Francisco Unified School 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 opinion. Our audit does not provide a legal determination of San Francisco Unified School District's compliance with the compliance 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 the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to San Francisco Unified School District's state programs.

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Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Francisco Unified School 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 generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a 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 San Francisco Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, 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 San Francisco Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of San Francisco Unified School 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 K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of San Francisco Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine San Francisco Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
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	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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 identify during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2023-008 through #2023-011. Our opinion on state compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control Over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc." The signature is fluid and cursive, with "Christy" and "White" connected by a single stroke, and "Inc." written in a smaller, separate area.

San Diego, California
April 30, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
84.027, 84.027A, 84.173	Special Education Cluster
84.425, 84.425U	Education Stabilization Fund Discretionary Grants
10.553, 10.555, 10.559	Child Nutrition Cluster
10.558	CACFP Claims - Centers and Family Day Care
93.596	Child Care and Development Block Grant
32.009	Emergency Connectivity Fund Reimbursement
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 3,000,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with <i>2022-23 Guide for Annual Audits of California K-12 Local Education Agencies</i> ?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2023-001: FINANCIAL REPORTING AND YEAR END CLOSING PROCEDURES (30000) (MATERIAL WEAKNESS)

Criteria: The California Education Code, California School Accounting Manual, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring. Compliance with this requirement includes proper accruals as of year-end and maintaining proper supporting documentation for year-end accruals and the closing process. Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition: We noted transactions that were not properly accounted for during substantive testing of balances and transactions as of and for the year ended June 30, 2023. We noted the following control weaknesses related to financial reporting:

- Understatement of resource 6762 revenue (Arts, Music, and Instructional Materials) and corresponding accounts receivable. Adjusting journal entries were posted to correct this item.
- Lacking implementation of GASB 87, Leases. The District is not internally tracking leases that fall under GASB 87. As a result, there is a risk that the accounting is incomplete. We recommend the usage of internal processes or external companies that provide this service.
- Lacking full implementation of GASB 96, Subscription Based Information Technology Agreements (SBITA). The District is not internally tracking SBITAs that fall under GASB 96. As a result, there is a risk that the accounting is incomplete. We recommend the usage of internal processes or external companies that provide this service.

Cause: District oversight of regular necessary closing entries.

Effect: Potential for incorrect reporting of balance sheet items and transactions.

Repeat Finding: This is a repeat finding, see prior year finding #2022-002.

Recommendation: The District is responsible for understanding and maintaining information related to year end accruals and journal entries to close its fiscal year financial reporting. Consistent supervision and adequately trained staff in all areas must be a high priority of the District. This would include closing each resource with proper accounts receivable, if applicable. We recommend that the District review and implement processes to ensure complete GASB 87, Lease, and GASB 96, SBITA, accounting.

Corrective Action Plan:

- **Understatement of Resource 6762 Revenue:** We will review and refine the revenue recognition process, establish stricter controls, and provide targeted training to staff involved in accounting and revenue reporting.
- **GASB 87, Leases Compliance:** We will implement a lease tracking system to monitor compliance with GASB 87, using specialized software or external expertise, and train accounting staff on lease accounting standards.
- **GASB 96, SBITA Compliance:** We will evaluate the need for external expertise or specialized software to manage Subscription-Based IT Agreements, ensuring our team is trained on GASB 96 requirements for accurate compliance and reporting.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023-002: PAY-RELATED CONTROLS (30000)

Criteria: Maintaining sound internal control procedures over payroll requires the District to ensure all payments to employees are supported and be able to be recalculated using the employees' location on the salary schedule. Any deductions to pay and stipends should also be supported by salary schedule or approved listing of stipends.

Condition: Through our testing of internal controls over payroll, we tested the pay for 60 employees and noted that supporting documentation for one pay line adjustment for one employee could not be provided.

Cause: Insufficient controls over payroll.

Effect: The potential for irregularities in payroll.

Repeat Finding: This is a repeat finding, see prior year finding #2022-001.

Recommendation: We recommend that procedures be implemented to ensure that internal controls over payroll are followed. All pay should be supported by the salary schedule or employee contract. Any stipends should be included in the employee file or be supported by an approved stipend listing. Any deductions to gross pay should be supported.

Corrective Action Plan:

- **Review Processes:** Evaluate and update payroll/HR documentation and procedures to ensure accuracy.
- **Gross Pay Controls:** Implement controls for precise calculation of gross pay from salary schedules and timecards.
- **Stipend Verification:** Set up verification processes for stipends, including an approved listing and eligibility checks.
- **Staff Training:** Train payroll/HR staff on revised processes and controls.
- **Documentation Maintenance:** Keep thorough records of all payroll transactions, including stipends, deductions, and pay calculations.

FINDING #2023-003: CAPITAL ASSETS AND CONSTRUCTION IN PROGRESS (20000) (30000)

Criteria: The District should maintain a complete capital asset inventory listing, including a detail of any construction in progress balance related to capital projects existing at fiscal year-end. These assets should be depreciated in conformity with generally accepted accounting principles, tracked, accounted for, and properly valued. Strong internal controls and prudent accounting practices require the established and adherence to sound policies and procedures for capital assets.

Condition: The District does not appear to be tracking or maintaining an adequate capital asset listing related to construction in progress. The auditor noted that there is no construction in progress balance at June 30, 2023, even as the District has an active bond and construction program. Capital expenses are added to the capital asset listing and begin depreciation in the year the expense occurs. In accordance with GAAP, depreciation for construction in progress should not commence until the project is completed and the asset is in service.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023-003: CAPITAL ASSETS AND CONSTRUCTION IN PROGRESS (20000) (30000) (continued)

Cause: Lack of adequate policies and procedures over tracking and reporting capital assets related to construction in progress.

Effect: Without completing regular updates of construction in progress listings, the District does not maintain adequate control over buildings, site improvements, and other assets as they relate to the government-wide financial statements and the related depreciation expenses. And depreciation expense might be over or understated.

Repeat Finding: This is a repeat finding, see prior year finding #2022-001.

Recommendation: The District should work internally and with their third-party consultant, Asset Valuation, to compile a listing construction in progress balances. Once projects and related information have been summarized, these balances should be transferred into the appropriate category and depreciated accordingly. The District should also establish and implement written policies and procedures related to tracking of construction in progress balance, capital assets additions, disposals, and calculation of depreciation expense.

Corrective Action Plan:

- **Establish Policies and Procedures:** Implement comprehensive policies and procedures for tracking and reporting capital assets associated with construction in progress.
- **Compile Listings:** Develop a detailed listing of construction in progress balances.

FINDING #2023-004: INTERNAL AUDIT FUNCTION (30000)

Criteria: Education Code Section 42650 states that fiscally independent schools' districts, such a San Francisco Unified School District, require "a person designated as the district disbursing officer for the school district." Often, this role is filled by an internal auditor or department. Specifically for payroll and accounts payable warrant approvals, the internal auditor develops an audit plan to sample and test warrant backup support for compliance with district policy, procedures, and legal criteria. The auditor then approves each warrant batch based on the test sample results. In addition, a periodic review is to be done "of the districts' financial transactions and internal control pursuant to Government Code Section 1241.5." This code permits the county superintendent to audit the expenditures and internal controls of independent school districts. SFUSD is both a county office and independent school district. It is encouraged in the law and in best practice that a plan is put into place to periodically conduct internal control audits.

To aid the District in creating a good internal control review process and internal audit function there are many resources. For example, FCMAT has developed a Fiscally Accountable/Independent Risk Analysis to assist independent school districts in assessing internal controls. According to FMCAT, fiscally independent school districts "should continually monitor their accounting controls to ensure ongoing compliance with the requirements of Education Code Sections 42647 and 42650." Other resources on the role and development of internal audit, risk management, governance and internal control processes can be found at, for example: the Institute of Internal Auditors' website, the Government Finance Officers Association, and the Public Company Accounting Oversight Board (applicable for public companies but with useful information for governmental entities).

Condition: The District currently does not have an internal audit function. Due to the District's size, complexity, and independent status, an internal audit function or internal auditor would be beneficial to the District's operations. Included in the internal audit department can include fraud hotlines and other anonymous reporting options.

Cause: Lack of adequate policies and procedures to establish an internal audit function.

Effect: Without an internal audit function within the District, regular monitoring of internal controls may not take place.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023-004: INTERNAL AUDIT FUNCTION (30000) (continued)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District review the needs of the District regarding an internal audit function. This is a process that should begin with Board review, Board Policy and establishment of the position or Department. External organizations can also provide internal audit type functions that would be beneficial to the District's operations.

Corrective Action Plan: The District will commence an immediate review to assess the need for an internal audit function located under the district or county office of education; and simultaneously develop necessary policies and procedures. This development process aims to produce a draft policy by July 2024, which will be presented for approval at the September 2024 Board meeting. Upon approval, the District will determine if it should proceed to either recruit an internal auditor, create an internal audit division at the county office of education, or establish a partnership with an external organization by December 2024, ensuring access to essential auditing expertise.

FINDING #2023-005: CONTROLS OVER DISTRICT CREDIT CARDS (30000)

Criteria: The District should establish, maintain and enforce credit card policies that contain procedures for proper approvals and uses of District credit cards. District credit card policies and procedures should enforce the following:

- Only authorized users are provided with and may use the credit cards.
- Deadlines for submitting proper expenditure support are met.
- Prior approvals for purchases are obtained and documented.
- The Business Department is receiving all appropriate supporting documentation and monitoring monthly expenditures for appropriateness and reasonableness.

Condition: Through our testing of credit cards, we noted the following deficiencies:

- 1 credit card purchase was missing a receipt or invoice to support the purchase.
- 2 credit card purchases appeared to be miscoded. These transactions were coded to Object 5890 (professional services) while it appears they should be coded to Object 5200 (travel and conferences)

Cause: Approved policies are not being properly followed.

Effect: There is a risk of fraud and abuse of District funds through unauthorized or unsupported credit card purchases.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District develop and implement a credit card usage policy. Credit card holders should be aware of the requirements for use of credit cards including the pre-approval of credit card purchases, submission of original credit card receipts, and monthly reconciliations and monitoring of the credit card purchases by the Business Office.

Corrective Action Plan:

- **Credit Card Usage Policy:** Develop and implement a comprehensive policy for credit card use, including pre-approval of purchases and submission of original receipts. Provide training to cardholders on these requirements.
- **Reconciliations and Monitoring:** Conduct monthly reconciliations and monitoring of credit card transactions to ensure compliance and accuracy.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023-006: PUBLIC WORKS PROJECTS REGISTRATION WITH DEPARTMENT OF INDUSTRIAL RELATIONS (30000)

Criteria: All public works projects must be registered with the State (using Form PWC-100) and all contractors selected must be registered with the Department of Industrial Relations (DIR). The completion and the submission of this form fulfills the required public works project award notification as required by Labor Code sec. 1773.3, 1773.35, and 8 Cal. Code Reg. sec. 16451(a)

Condition: 1 out of 1 informal bid tested was not registered with the DIR (using Form PWC-100).

Effect: The District is not in compliance with public works project award notification as required by Labor Code sec. 1773.3, 1773.35, and 8 Cal. Code Reg. sec. 16451(a)

Cause: Inconsistent procedures involving bid practices.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District develop a process so that all projects are registered with the Department of Industrial Relations (DIR) through the use of Form PWC-100 following project award.

Corrective Action Plan:

- **Establish Registration Protocol:** Implement a protocol to ensure all projects are registered with the Department of Industrial Relations using Form PWC-100 immediately upon project award.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

FINDING #2023-007: ALLOWABLE COSTS/COST PRINCIPLES – TIME AND EFFORT REPORTING (50000)

Assistance Listing Number and Title: 84.010 - ESEA (ESSA): Schoolwide Programs (SWP)

Federal Grantor Name: U.S. Department of Education; Passed through California Department of Education

Criteria: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, requires an accounting for personnel time on multi-funded positions by the time spent on each program and to semi-annually certify positions charged 100% to federal programs. Standards for Documentation of Personnel Expenses Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-Federal entity
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- Comply with the established accounting policies and practices of the non-Federal entity.
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards but may be used for interim accounting purposes.

Condition: Auditor selected employees with salaries coded to the federal programs noted above. The following deficiencies were noted:

- ESEA (ESSA): Schoolwide Programs (SWP) (Resource 3150): 2/60 employees tested with salaries coded to the program during the fiscal year did not have time certifications on file for the 2022-23 year.

Cause: The District has not been following its policy for proper time accounting.

Effect: The District is not in compliance.

Questioned Costs: Although the District was not in compliance, we were able to review alternative documentation to determine that employees charged to the program were allowable.

Repeat Finding: This is a repeat finding, see prior year finding #2022-008.

Recommendation: We recommend that the District prepares time certification semi-annually for single funded employees and monthly for multi-funded employees.

Views of Responsible Officials: See Corrective Action Plan on following page.



SFUSD

SAN FRANCISCO
PUBLIC SCHOOLS

Accounting Department

135 Van Ness Avenue, Room 300

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Corrective Action Plan:

2023-007 ALLOWABLE COSTS/COST PRINCIPLES – TIME AND EFFORT REPORTING (50000)

- **Time Certification Schedules:** Implement semi-annual time certifications for employees funded by a single federal source and monthly certifications for employees funded by multiple sources.

Jackie Chen

Financial Services Officer (FSO)

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2023-008: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs) should contain information regarding school facility conditions, as indicated in the most recently prepared facility inspection tool (FIT) form or a local evaluation instrument that meets the same criteria, as per Education Code Sections 33126(b)(8) and 1700(d).

Condition: The District was unable to provide the FIT form for Asawa School of the Arts, used to prepare the 2021-22 SARC published during the 2022-23 school year, for applicable state compliance testing.

Cause: The District could not locate the FIT form for Asawa School of the Arts.

Effect: The District is not in compliance with the related sections of California Education Code.

Questioned Cost: There are no questioned costs associated with this finding.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District retains required reports and paperwork related to the SARC preparation.

Corrective Action Plan:

- **Document Retention:** Ensure all reports and paperwork required for SARC preparation are retained systematically.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023-009: CALIFORNIA CLEAN ENERGY JOBS ACT (40000)

Criteria: Public Resource Code (PRC) Section 26240(b) requires an entity to submit a report of its project expenditures to the Citizens Oversight Board, not sooner than one year but no later than 15 months after an entity completes its first eligible project with a grant, loan, or other assistance from the Job Creation Fund.

Condition: Based on review and testing of CA Clean Energy Jobs Program at San Francisco Unified School District, it was noted that the final expenditure report was not submitted within the required deadline of 12 - 15 months after the project completion date. Listed below are the projects where the final report was not submitted in a timely manner.

Date of Completion	Description of the Project	Date of Report Submission
August 9, 2019	New School San Francisco - installation of sensors, plugs, and exterior lightings	June 29, 2022
October 31, 2018	Wells High - Installation of smart plugs	June 29, 2022
March 17, 2020	Lowell High - installation of sensors, plugs, and exterior lightings	June 29, 2022
October 5, 2017	Lau Elementary - Installation of smart plugs	June 29, 2022
January 22, 2019	Jefferson Elementary - Installation of smart plugs	June 29, 2022
December 26, 2018	Lawton Alternative Elementary - installation of sensors, plugs, and exterior lightings	June 29, 2022
March 5, 2021	Spring Valley Elementary - installation of sensors, plugs, and exterior lightings	June 29, 2022
May 30, 2020	Fransico Middle - retrofitting and installation	June 29, 2022
September 24, 2019	Hoover Middle - Installation of smart plugs	June 29, 2022
September 17, 2019	Marina Middle - replacement of windows	June 29, 2022
October 31, 2018	Carver Elementary - Installation of smart plugs	June 29, 2022
December 4, 2018	New Traditions Elementary - retrofitting and installation	June 29, 2022
October 9, 2017	Chin Elementary - Replacement of windows, lighting and water systems	February 20, 2020

Furthermore, one final expenditure report is still outstanding as of March 22, 2024, due to a technical issue with the submission system.

Effect: The District is not in compliance with reporting requirements underlined under PRC Section 26240(b).

Cause: Lack of adequate oversight over reporting requirements.

Questioned Costs: No questioned costs.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District submit the final expenditure reports for the District's CA Clean Energy Jobs projects.

Corrective Action Plan:

- **Expenditure Reports:** Submit the final expenditure reports for the District's California Clean Energy Jobs projects.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023-010: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current 2022-23 school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the comprehensive school safety plan at S.F. Woodside Learning Center, it was noted that a comprehensive school safety plan was not approved prior to the required deadline of March 1st for the current audit year.

Effect: The School District was untimely adhering to comprehensive school safety requirements per California Education Code.

Cause: Insufficient review procedures in place during the implementation process.

Questioned Costs: If a school is found to be willfully non-compliant, a fine of \$2,000 may be imposed. As of the audit visit, the District had not submitted a letter to the State Superintendent of Public Instruction by October 15 providing the reasons for non-compliance.

Repeat Finding: This is a repeat finding, see prior year finding #2022-005.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing new requirements in California Education Code in a timely manner. In addition, we recommend that the District submit the required letter to the State Superintendent of Public Instruction providing the reasons of non-compliance.

Corrective Action Plan:

- **Oversight and Training:** Continue to provide oversight and training to staff responsible for implementing the new requirements outlined in the California Education Code.
- **Communication with State:** Submit a letter to the State Superintendent of Public Instruction detailing any instances of noncompliance.

FINDING #2023-011: IMMUNIZATIONS (40000)

Criteria: As required by Title 17, California Code of Regulations Section 6025, pupils are required to have two doses of a varicella vaccine and two doses of a measles vaccine prior to admission into kindergarten or have a current medical exemption from varicella and measles on file. In addition, each pupil has two varicella vaccine doses and one Tdap dose as required by Title 17, California Code of Regulations Section 6025 prior to admission into 7th or 8th Grade, or has a current medical exemption from varicella or Tdap on file.

Condition: In testing a representative sample of immunization records for pupils enrolled in TK, K, or 1st Grade for the 2022-23 school year, auditors noted that one (1) of fourteen (14) students tested was not in compliance with the vaccination requirements.

Effect: The District was not in compliance with the Education Code requirements related to pupil immunizations.

Cause: Administrative oversight.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023-011: IMMUNIZATIONS (40000) (continued)

Questioned Costs: \$8,434, based on disallowed ADA in the amount of 0.73 for grades TK-3. The calculation of this amount is shown below. The District has not revised its P2 Attendance Report to reflect the disallowed ADA.

Grade Span	Second Period		Annual Report ADA (Over)/Under Statement	Derived Value of ADA	Questioned Cost
	Report ADA (Over)/Under Statement	ADA (Over)/Under Statement			
TK/Kindergarten through Third	(0.73) <hr/> (0.73)	<hr/> (0.74) <hr/> (0.74)	\$ 11,553.77	\$ 8,434 <hr/> \$ 8,434	

There is no questioned cost related for the Annual Attendance Report since the District is not funded on Annual Attendance. The District's Annual Attendance Report has not been revised to reflect the revised Annual report listed on the Schedule of Average Daily Attendance.

Repeat Finding: This is a repeat finding, see prior year finding #2022-006.

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.

Corrective Action Plan:

- **Immunization Records:** Designate an individual to oversee compliance, monitor immunization compliance, and promptly flag any deviations from District policy.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-001: DISCLAIMER OF OPINION DUE TO THE INABILITY TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

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.

Matter	Possible Effect on the District's financial statements	Classification
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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-001: DISCLAIMER OF OPINION DUE TO THE INABILITY TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (30000) (continued)

Context: The following table summarizes the matters giving rise to the condition, (continued)

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. 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.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-001: DISCLAIMER OF OPINION DUE TO THE INABILITY TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (30000) (continued)

Context: The following table summarizes the matters giving rise to the condition, (continued)

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.

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

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.

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

District Response: See the corrective action plan attached after page 114.

Current Status: Partially implemented, see current year Findings #2023-002 and #2023-003.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-002: AUDIT ADJUSTMENTS AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

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.

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.

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

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

District Response: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Not implemented, see current year Finding #2023-001.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-003: NONCOMPLIANCE WITH THE USE OF BOND PREMIUMS AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

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: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Implemented.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-004: MATERIAL WEAKNESS IN INTERNAL CONTROL OVER THE PREPARATION OF THE FINANCIAL STATEMENTS (30000)

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: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Implemented.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-005: COMPREHENSIVE SCHOOL SAFETY PLAN, NONCOMPLIANCE AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER STATE COMPLIANCE (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.

Current Status: Not implemented, see current year Finding #2023-010.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

**FINDING #2022-006: IMMUNIZATIONS, NONCOMPLIANCE, AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER STATE COMPLIANCE
(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: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Not implemented, see current year Finding #2023-011.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-007: EXPANDED LEARNING OPPORTUNITIES, NONCOMPLIANCE, AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER STATE COMPLIANCE (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 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: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Implemented.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-008: NONCOMPLIANCE AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FEDERAL COMPLIANCE CODE (40000) (50000)

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: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Partially implemented, see current year Finding #2023-007.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-009: NONCOMPLIANCE AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FEDERAL COMPLIANCE CODE (40000) (50000)

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: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Implemented.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-010: NONCOMPLIANCE AND MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FEDERAL COMPLIANCE CODE (40000) (50000)

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: See the corrective action plan attached after page 114.

Identification as a Repeat Finding: This finding was not reported in the previous year's audit.

Current Status: Implemented.



SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Corrective Action Plan

Year ended June 30, 2022

Compiled by:

Business Services Department

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
Corrective Action Plan

Year ended June 30, 2022

I. FINANCIAL STATEMENT FINDINGS

- 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**

Views of Responsible Officials:

The District is aware of the potential material misstatements with the preparation and fair presentation of financial statements. The potential misstatements in operational areas such as payroll and benefits reporting, other post employment benefits census data, fund balance reservations, program expenditure recording misstatements, fixed assets classifications, and child nutrition claims.

Name of Responsible Person:

Various operations: Anne Marie Gordon, Executive Director of Business Services, Amy Baer, Chief of Human Resources, Jennifer LaBarre, Executive Director of Student Nutrition Services, Shan Li, Executive Director of Budget and Accounting, Jackie Chen, Financial Services Officer, Selena Trauthen, Director of Business Services, Karin Yang, Interim Executive Assistant.

Implementation Date:

The District has delegated specific projects to designated employees, aiming for immediate implementation to address various findings. This initiative is part of the ongoing FCMAT Fiscal Health Risk Assessment (FHRA) review of the district.

Business Services is taking the lead in coordinating the gathering of an extensive list of documents that FCMAT requested. The district successfully submitted all the necessary documents by the planned date of January 18, 2024. Currently, FCMAT is conducting a thorough review and analysis of the provided materials.

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

Views of Responsible Officials:

Due to COVID-19, there were a lot of changes to District personnel, including management. District has been actively recruiting to fill in the various vacancies to the departments.

Name of Responsible Person:

Various operations: Anne Marie Gordon, Executive Director of Business Services; Amy Baer, Chief of Human Resources; Jennifer LaBarre, Executive Director of Student Nutrition Services; Shan Li, Executive Director of Budget and Accounting. Jackie Chen, Financial Services Officer, Selena Trauthen, Director of Business Services, Karin Yang, Interim Executive Assistant

Implementation Date:

The District has immediately started to hire and fill key vacant positions in Business Services and Human Resources in fiscal year 2023-2024.

- 2022-003** **Noncompliance with the use of bond premiums and material weakness in internal control over financial reporting**
 Code 40000

Views of Responsible Officials:

District management has already collaborated with financial consultants to tackle the issue and will continue to work alongside the current Auditor, Christy White.

Name of Responsible Person:

John Chen, Director of Finance and Administration, Proposition A Bond Program

Implementation Date:

Fiscal Year 2023-2024

- 2022-004** **Material weakness in internal control over the preparation of the financial statements**
 Code 40000

Views of Responsible Officials:

Management is in the process of hiring a new fiscal team to address the operational deficiencies.

Name of Responsible Person:

Jackie Chen, Financial Services Officer

Implementation Date:

Fiscal Year 2023-2024

II. STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Views of Responsible Officials:

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.

Name of Responsible Person:

Gregory Markwith, Director, School Safety Services

Implementation Date:

The facilities department will ensure that Comprehensive School Safety Plans are completed for the 2022-2023 and 203-2024 school year.

2022-006

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

Views of Responsible Officials:

The auditors had identified the students that were non-compliant for one or more of their childhood immunizations. At that time, four students were out of compliance. These students who continue to be non compliant will be excluded from attending school.

During the COVID 19 pandemic, routine medical care was reduced and resulted in delays in childhood immunizations. When SFUSD returned to full time in person learning in 2021-22, the Student and Family Services Division conducted a full audit of immunization records of our TK-12 grade students. As a result of the audit, the Division determined that it needed to redesign its immunization compliance program to ensure that student immunization records were reviewed prior to the school year starting, families were contacted and connected to resources and students were excluded who were not up to date on their childhood immunizations. The Division began redesign its immunization compliance program in January 2022.

Name of Responsible Person:

Student and Family Services Division

Implementation Date:

August 2022

2022-007

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

Views of Responsible Officials:

All funds were directed to interventions and activities associated with in-person learning. San Francisco's use of ELOG funds commenced in summer 2021 with expanded summer school and credit recovery offerings, then continued into 2021-22 with additional targeted interventions, student assessments, and augmented access to before and after school programs. For more details, please review the [Expanded Learning Opportunities Grant Plan](#) approved by the Board of Education on May 25, 2021.

The District submitted the Expanded Learning Opportunities Grant Plan within 5 business days of its adoption by the Board, which staff believed was in compliance with the submission deadline.

Name of Responsible Person:

Anne Marie Gordon, Executive Director of Business Services

Implementation Date:

District staff will ensure that financial reports are submitted in a timely manner to the Board for adoption.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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 Equation
Noncompliance and material weakness in internal control over Federal compliance Code 40000, 50000
Compliance Requirements Affected: Activities (A) and Costs (B)

Views of Responsible Officials:

District is reviewing the internal procedures related to documenting salaries and wages charged to federal programs and will work with our current auditors to ensure we meet this requirement.

Name of Responsible Person:

Anne Marie Gordon, Executive Director of Business Services
Jackie Chen, Financial Services Officer

Implementation Date:

Fiscal Year 2023-2024

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

Views of Responsible Officials:

During the COVID-19 pandemic, the District experienced turnover in various key positions resulting from a lapse in record keeping. Management will work to ensure that records related to claim reimbursements are retained for a period of three years.

Currently, the District is in discussions with the Child Nutrition Department and is engaging Christy White, Inc. to re-audit this program, ensuring the provision of appropriate compliance documents to the auditor.

Name of Responsible Person:

Jennifer LaBarre, Executive Director of Student Nutrition Services

Implementation Date:

Fiscal Year 2023-2024

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

Views of Responsible Officials:

The District has not identified any payments that are the result of fraud. The District will work on developing procedures to identify and recover payments resulting from fraud.

Name of Responsible Person:

Pamela Geisler, Budget & Policy Director

Implementation Date:

Fiscal Year 2023-2024