

Possible Gap Closing Strategies

Reduce Contributions to Special Programs (a.k.a. "Encroachments")

- Total target reduction of \$9.8 million in Unrestricted General Fund (UGF) contributions to special programs (currently projected to total \$39.8 million absent any reductions)
- Special Education – strategies have been identified to reduce UGF contribution by \$2.5 million during FY 2005-06
- Transportation – strategies have been identified to reduce UGF contribution by \$3.8 million during FY 2005-06
- Child Development – strategies have been identified to eliminate UGF contribution for FY 2005-06
- Student Nutrition – strategies have been identified to eliminate UGF contribution for FY 2005-06

Central Office Budget Cuts

- Previous target reduction of \$4.6 million in centrally budgeted offices and activities will be met and exceeded; actual cuts will total over \$6.1 million
- Cuts include estimated reductions of management and non-management positions
- Cuts include estimated \$1.5 million in non-personnel cuts
- Cuts include three furlough days for non-school site staff

Benefits Reductions

- Target reduction of \$3.1 million in fringe benefits costs through collective bargaining with one or more employee groups
- Possibilities include negotiating co-payments for medical / dental benefits (potentially all employee groups) or classified employees paying a portion or all of their own contributions to the City Retirement system.

School Closures

- Estimate of \$1.14 million in UGF savings will be realized for FY 2005-06 from school closures approved to date;
- No additional savings have been reflected for Treasure Island, pending final Board decision
- No lease revenues assumed

Payment from UESF

- UESF has been notified of their responsibility to pay the District nearly \$720,000 as a contractually required partial reimbursement of salary and benefits costs for employees on leave to conduct union business during 2002-03, 2003-04, 2004-05.

Nearly \$1.6 million in savings would still need to be identified under assumptions outlined above.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FY 2004-05 AND FY 2005-06 PROJECTIONS
UNRESTRICTED GENERAL FUND**

	04-05 FY PROJECTION	05-06 FY PROJECTION (BASED ON 04-05)	INITIAL ADJUSTMENTS	05-06 ADJUSTMENTS	05-06 PROJECTION BEFORE REDUCTIONS	05-06 REDUCTIONS	05-06 PROJECTION
REVENUE							
REVENUE LIMIT SOURCES	\$ 261,322,872	\$ 261,322,872	\$ (1,000,000)	\$ 10,423,704	\$ 270,746,576	\$ -	\$ 270,746,576
FEDERAL REVENUES	\$ 418,746	\$ 418,746			\$ 418,746		\$ 418,746
OTHER STATE REVENUES	\$ 28,021,587	\$ 28,021,587		\$ 750,000	\$ 28,771,587		\$ 28,771,587
OTHER LOCAL INCOME	\$ 50,738,300	\$ 50,738,300	\$ (20,573,000)	\$ 1,500,000	\$ 31,665,300	\$ -	\$ 31,665,300
NET REVENUES	\$ 340,501,505	\$ 340,501,505	\$ (21,573,000)	\$ 12,673,704	\$ 331,602,209	\$ -	\$ 331,602,209
TRANSFERS TO CHARTERS							
PROPERTY TAXES	\$ (5,941,495)	\$ (5,941,495)	\$ -	\$ (743,081)	\$ (6,884,576)	\$ -	\$ (6,884,576)
REVENUE LIMIT	\$ (3,312,378)	\$ (3,312,378)	\$ -	\$ (823,357)	\$ (4,135,735)	\$ -	\$ (4,135,735)
TOTAL TRANSFERS TO CHARTERS	\$ (9,253,873)	\$ (9,253,873)	\$ -	\$ (1,566,438)	\$ (10,820,311)	\$ -	\$ (10,820,311)
TOTAL REVENUE	\$ 331,247,632	\$ 331,247,632	\$ (21,573,000)	\$ 11,107,266	\$ 320,781,898	\$ -	\$ 320,781,898
EXPENDITURES							
CERTIFICATED SALARIES	\$ 157,509,623	\$ 157,509,623	\$ 1,700,000	\$ 1,575,096	\$ 160,784,719	\$ (5,627,465)	\$ 155,157,254
CLASSIFIED SALARIES	\$ 41,330,508	\$ 41,330,508		\$ 413,305	\$ 41,743,813	\$ (1,461,033)	\$ 40,282,780
EMPLOYEE BENEFITS	\$ 66,162,488	\$ 66,162,488		\$ 4,550,192	\$ 70,712,680	\$ (3,130,786)	\$ 67,581,894
BOOKS & SUPPLIES	\$ 4,300,000	\$ 4,300,000			\$ 4,300,000	\$ (500,000)	\$ 3,800,000
SERVICE/CONTRACT/OPER EXPENSES	\$ 17,300,000	\$ 17,300,000	\$ 1,000,000		\$ 18,300,000	\$ (2,000,000)	\$ 16,300,000
CAPITAL OUTLAY	\$ 131,753	\$ 131,753	\$ -	\$ -	\$ 131,753	\$ -	\$ 131,753
TOTAL EXPENDITURES	\$ 286,734,372	\$ 286,734,372	\$ 2,700,000	\$ 6,538,594	\$ 295,972,966	\$ (12,719,285)	\$ 283,253,681
EXCESS/DEFICIENCY	\$ 44,513,260	\$ 44,513,260	\$ (24,273,000)	\$ 4,568,672	\$ 24,808,932	\$ 12,719,285	\$ 37,528,217
CONTRIB FROM RESTRICTED REVENUES							
MEGA TRANSFERS	\$ 4,500,000	\$ 4,500,000	\$ (2,500,000)	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
TOTAL RESTRICTED REVENUE	\$ 4,500,000	\$ 4,500,000	\$ (2,500,000)	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
ONGOING & DEFERRED MAINTENANCE							
CONTRIBUTION	\$ (14,031,936)	\$ (14,031,936)	\$ -	\$ -	\$ (14,031,936)	\$ -	\$ (14,031,936)
TOTAL MAINTENANCE	\$ (14,031,936)	\$ (14,031,936)	\$ -	\$ -	\$ (14,031,936)	\$ -	\$ (14,031,936)
INDIRECT COSTS							
INTER PROGRAM (CATEGORICALS)	\$ 10,752,005	\$ 10,752,005	\$ -	\$ -	\$ 10,752,005	\$ -	\$ 10,752,005
INTERFUND (CATEGORICALS)	\$ 3,344,469	\$ 3,344,469	\$ -	\$ -	\$ 3,344,469	\$ -	\$ 3,344,469
TOTAL INDIRECT COSTS	\$ 14,096,474	\$ 14,096,474	\$ -	\$ -	\$ 14,096,474	\$ -	\$ 14,096,474
INTERFUND TRANSFER IN							
INTERFUND TRANSFER IN	\$ 43,382	\$ 43,382	\$ -	\$ -	\$ 43,382	\$ -	\$ 43,382
TOTAL INTERFUND TRANSFER IN	\$ 43,382	\$ 43,382	\$ -	\$ -	\$ 43,382	\$ -	\$ 43,382
EXCESS/DEFICIENCY	\$ 49,121,180	\$ 49,121,180	\$ (26,773,000)	\$ 4,568,672	\$ 26,916,852	\$ 12,719,285	\$ 39,636,137
ENCROACHMENTS							
COUNTY SCHOOLS/SPECIAL ED	\$ 32,097,343	\$ 32,097,343			\$ 32,097,343	\$ (6,300,000)	\$ 25,797,343
CHILD DEVELOPMENT FUND	\$ 2,477,275	\$ 2,477,275	\$ 500,000		\$ 2,977,275	\$ (2,977,275)	\$ -
CAFETERIA FUND	\$ 521,780	\$ 521,780			\$ 521,780	\$ (521,780)	\$ -
DEBT SERVICE	\$ 4,322,680	\$ 4,322,680	\$ (100,000)	\$ -	\$ 4,222,680	\$ -	\$ 4,222,680
TOTAL ENCROACHMENTS	\$ 39,419,078	\$ 39,419,078	\$ 400,000	\$ -	\$ 39,819,078	\$ (9,799,055)	\$ 30,020,023
EXCESS/DEFICIENCY	\$ 9,702,102	\$ 9,702,102	\$ (27,173,000)	\$ 4,568,672	\$ (12,902,226)	\$ 22,518,340	\$ 9,616,114
BEGINNING BALANCE	\$ 3,514,952	\$ 10,817,054	\$ -	\$ -	\$ 10,817,054	\$ -	\$ 10,817,054
PRIOR YEAR ADJUSTMENT	\$ (2,400,000)				\$ -		\$ -
ENDING FUND BALANCE	\$ 10,817,054	\$ 20,519,156	\$ (27,173,000)	\$ 4,568,672	\$ (2,085,172)	\$ 22,518,340	\$ 20,433,168
DESIGNATED BALANCES							
RESERVE - ECONOMIC UNCERTAINTIES	\$ 4,797,699	\$ 4,797,699		\$ 4,581,298	\$ 9,378,997	\$ -	\$ 9,378,997
REVOLVING FUND	\$ 500	\$ 500		\$ -	\$ 500	\$ -	\$ 500
STORES	\$ 540,758	\$ 540,758		\$ -	\$ 540,758	\$ -	\$ 540,758
SOTA	\$ 10,324,000	\$ 10,324,000		\$ -	\$ 10,324,000	\$ -	\$ 10,324,000
	\$ 15,662,957	\$ 15,662,957		\$ 4,581,298	\$ 20,244,255	\$ -	\$ 20,244,255
UNDESIGNATED BALANCE (END)	\$ (4,845,903)	\$ 4,856,199	\$ (27,173,000)	\$ (12,626)	\$ (22,329,427)	\$ 22,518,340	\$ 188,913

**SAÑ FRANCISCO UNIFIED SCHOOL DISTRICT
FY 2004-05 AND FY 2005-06 PROJECTIONS
UNRESTRICTED GENERAL FUND**

	04-05 FY PROJECTION	05-06 FY PROJECTION (BASED ON 04-05)	INITIAL ADJUSTMENTS	05-06 ADJUSTMENTS	05-06 PROJECTION BEFORE REDUCTIONS	05-06 REDUCTIONS	05-06 PROJECTION
REVENUE							
REVENUE LIMIT SOURCES	\$ 261,322,872	\$ 261,322,872	\$ (1,000,000)	\$ 10,423,704	\$ 270,746,576	\$ -	\$ 270,746,576
FEDERAL REVENUES	\$ 418,746	\$ 418,746			\$ 418,746		\$ 418,746
OTHER STATE REVENUES	\$ 28,021,587	\$ 28,021,587		\$ 750,000	\$ 28,771,587		\$ 28,771,587
OTHER LOCAL INCOME	\$ 50,738,300	\$ 50,738,300	\$ (20,573,000)	\$ 1,500,000	\$ 31,665,300	\$ -	\$ 31,665,300
NET REVENUES	\$ 340,501,505	\$ 340,501,505	\$ (21,573,000)	\$ 12,673,704	\$ 331,602,209	\$ -	\$ 331,602,209
TRANSFERS TO CHARTERS							
PROPERTY TAXES	\$ (5,941,495)	\$ (5,941,495)	\$ -	\$ (743,081)	\$ (6,684,576)	\$ -	\$ (6,684,576)
REVENUE LIMIT	\$ (3,312,378)	\$ (3,312,378)	\$ -	\$ (823,357)	\$ (4,135,735)	\$ -	\$ (4,135,735)
TOTAL TRANSFERS TO CHARTERS	\$ (9,253,873)	\$ (9,253,873)	\$ -	\$ (1,566,438)	\$ (10,820,311)	\$ -	\$ (10,820,311)
TOTAL REVENUE	\$ 331,247,632	\$ 331,247,632	\$ (21,573,000)	\$ 11,107,266	\$ 320,781,898	\$ -	\$ 320,781,898
EXPENDITURES							
CERTIFICATED SALARIES	\$ 157,509,623	\$ 157,509,623	\$ 1,700,000	\$ 1,575,096	\$ 160,784,719	\$ (5,627,465)	\$ 155,157,254
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SERVICE/CONTRACT/OPER EXPENSES	\$ 17,300,000	\$ 17,300,000	\$ 1,000,000		\$ 18,300,000	\$ (2,000,000)	\$ 16,300,000
CAPITAL OUTLAY	\$ 131,753	\$ 131,753	\$ -	\$ -	\$ 131,753	\$ -	\$ 131,753
TOTAL EXPENDITURES	\$ 286,734,372	\$ 286,734,372	\$ 2,700,000	\$ 6,538,594	\$ 295,972,966	\$ (12,719,285)	\$ 283,253,681
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CONTRIB FROM RESTRICTED REVENUES							
MEGA TRANSFERS	\$ 4,500,000	\$ 4,500,000	\$ (2,500,000)	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
TOTAL RESTRICTED REVENUE	\$ 4,500,000	\$ 4,500,000	\$ (2,500,000)	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
ONGOING & DEFERRED MAINTENANCE							
CONTRIBUTION	\$ (14,031,936)	\$ (14,031,936)	\$ -	\$ -	\$ (14,031,936)	\$ -	\$ (14,031,936)
TOTAL MAINTENANCE	\$ (14,031,936)	\$ (14,031,936)	\$ -	\$ -	\$ (14,031,936)	\$ -	\$ (14,031,936)
INDIRECT COSTS							
INTER PROGRAM (CATEGORICALS)	\$ 10,752,005	\$ 10,752,005	\$ -	\$ -	\$ 10,752,005	\$ -	\$ 10,752,005
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CHILD DEVELOPMENT FUND	\$ 2,477,275	\$ 2,477,275	\$ 500,000		\$ 2,977,275	\$ (2,977,275)	\$ -
CAFETERIA FUND	\$ 521,780	\$ 521,780			\$ 521,780	\$ (521,780)	\$ -
DEBT SERVICE	\$ 4,322,680	\$ 4,322,680	\$ (100,000)	\$ -	\$ 4,222,680	\$ -	\$ 4,222,680
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BEGINNING BALANCE	\$ 3,514,952	\$ 10,817,054	\$ -	\$ -	\$ 10,817,054	\$ -	\$ 10,817,054
PRIOR YEAR ADJUSTMENT	\$ (2,400,000)				\$ -		\$ -
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REVOLVING FUND	\$ 500	\$ 500	\$ -	\$ -	\$ 500	\$ -	\$ 500
STORES	\$ 540,758	\$ 540,758	\$ -	\$ -	\$ 540,758	\$ -	\$ 540,758
SOTA	\$ 10,324,000	\$ 10,324,000	\$ -	\$ -	\$ 10,324,000	\$ -	\$ 10,324,000
	\$ 15,662,957	\$ 15,662,957	\$ -	\$ 4,581,298	\$ 20,244,255	\$ -	\$ 20,244,255
UNDESIGNATED BALANCE (END)	\$ (4,845,903)	\$ 4,856,199	\$ (27,173,000)	\$ (12,626)	\$ (22,329,427)	\$ 22,518,340	\$ 188,913

KALW-FM RADIO
(A California Public Telecommunications Entity
Operated by the San Francisco Unified School District)

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2004 and 2003

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of KALW-FM Radio (a California Public Telecommunications Entity Operated by the San Francisco Unified School District), as of June 30, 2004 and 2003, and the related statements of support, revenue and expenditures and changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KALW-FM Radio as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and the standards required by the Corporation for Public Broadcasting, *Financial Reporting Guidelines*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2004, on our consideration of KALW-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of KALW-FM Radio taken as a whole. The accompanying schedules of functional expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 2, 2004

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

BALANCE SHEETS
June 30, 2004

	Operating Funds			Fixed Assets Fund	Total (Memorandum Only)
	General	Trust	Grants		
ASSETS					
Current assets:					
Cash and cash equivalents (Note 1)	\$ -	\$ 643,772	\$ -	\$ -	\$ 643,772
Interest receivable	-	2,975	-	-	2,975
Grant receivable	-	45,000	-	-	45,000
Other receivables	-	15,094	-	-	15,094
Prepaid expenses	-	1,931	-	-	1,931
Total current assets	<u>-</u>	<u>708,772</u>	<u>-</u>	<u>-</u>	<u>708,772</u>
Property and equipment (Notes 1 and 2):					
Furniture and fixtures	-	-	-	4,272	4,272
Equipment	-	-	-	630,140	630,140
Total property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>634,412</u>	<u>634,412</u>
Total assets	<u>\$ -</u>	<u>\$ 708,772</u>	<u>\$ -</u>	<u>\$ 634,412</u>	<u>\$ 1,343,184</u>
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts payable	\$ -	\$ 153,182	\$ -	\$ -	\$ 153,182
Total liabilities	<u>-</u>	<u>153,182</u>	<u>-</u>	<u>-</u>	<u>153,182</u>
Fund balances:					
Investment in property and equipment	-	-	-	634,412	634,412
Fund balances	-	555,590	-	-	555,590
Total fund balances	<u>-</u>	<u>555,590</u>	<u>-</u>	<u>634,412</u>	<u>1,190,002</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 708,772</u>	<u>\$ -</u>	<u>\$ 634,412</u>	<u>\$ 1,343,184</u>

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

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

BALANCE SHEETS (Continued)
June 30, 2003

	Operating Funds			Fixed Assets Fund	Total (Memorandum Only)
	General	Trust	Grants		
ASSETS					
Current assets:					
Cash and cash equivalents (Note 1)	\$ -	\$ 412,970	\$ 11,804	\$ -	\$ 424,774
Interest receivable	-	6,466	-	-	6,466
Total current assets	-	419,436	11,804	-	431,240
Property and equipment (Notes 1 and 2):					
Furniture and fixtures	-	-	-	4,272	4,272
Equipment	-	-	-	513,720	513,720
Total property and equipment	-	-	-	517,992	517,992
Total assets	<u>\$ -</u>	<u>\$ 419,436</u>	<u>\$ 11,804</u>	<u>\$ 517,992</u>	<u>\$ 949,232</u>
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts payable	\$ -	\$ 38,814	\$ -	\$ -	\$ 38,814
Total liabilities	-	38,814	-	-	38,814
Fund balances:					
Investment in property and equipment	-	-	-	517,992	517,992
Fund balances	-	380,622	11,804	-	392,426
Total fund balances	-	380,622	11,804	517,992	910,418
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 419,436</u>	<u>\$ 11,804</u>	<u>\$ 517,992</u>	<u>\$ 949,232</u>

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

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

**STATEMENTS OF SUPPORT, REVENUE AND EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2004**

	Operating Funds			Fixed Assets Fund	Total (Memorandum Only)
	General	Trust	Grants		
SUPPORT AND REVENUE					
Subscription and membership	\$ -	\$ 1,063,740	\$ -	\$ -	\$ 1,063,740
Donated facilities (Note 1)	155,988	-	-	-	155,988
Grants, Corporation for Public Broadcasting	-	-	195,918	-	195,918
Indirect administrative support (Note 1)	50,869	-	-	-	50,869
Interest income	-	19,909	-	-	19,909
Miscellaneous	-	16,979	-	-	16,979
Total support and revenue	<u>206,857</u>	<u>1,100,628</u>	<u>195,918</u>	<u>-</u>	<u>1,503,403</u>
EXPENDITURES					
Program services:					
Programming and production	29,994	321,559	-	-	351,553
Broadcasting	112,797	228,605	60,459	-	401,861
Program information	3,599	39,896	-	-	43,495
Management and general	60,467	305,984	60,459	-	426,910
Total expenditures	<u>206,857</u>	<u>896,044</u>	<u>120,918</u>	<u>-</u>	<u>1,223,819</u>
Excess of support and revenue over expenditures	-	204,584	75,000	-	279,584
Fund balances, beginning of year	-	380,622	11,804	517,992	910,418
Transfers, equipment acquisitions	-	(29,616)	(86,804)	116,420	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 555,590</u>	<u>\$ -</u>	<u>\$ 634,412</u>	<u>\$ 1,190,002</u>

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

KALW-FM RADIO

(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

**STATEMENTS OF SUPPORT, REVENUE AND EXPENDITURES
AND CHANGES IN FUND BALANCES (Continued)
For the year ended June 30, 2003**

	Operating Funds			Fixed Assets Fund	Total (Memorandum Only)
	General	Trust	Grants		
SUPPORT AND REVENUE					
Subscription and membership	\$ -	\$ 908,333	\$ -	\$ -	\$ 908,333
Donated facilities (Note 1)	155,988	-	-	-	155,988
Grant, Corporation for Public Broadcasting	-	-	104,205	-	104,205
Indirect administrative support (Note 1)	48,667	-	-	-	48,667
Interest income	-	27,610	-	-	27,610
Miscellaneous	-	11,125	-	-	11,125
Total support and revenue	204,655	947,068	104,205	-	1,255,928
EXPENDITURES					
Program services:					
Programming and production	29,994	323,420	-	-	353,414
Broadcasting	112,797	219,610	52,102	-	384,509
Program information	3,599	38,992	-	-	42,591
Management and general	58,265	287,111	52,103	-	397,479
Total expenditures	204,655	869,133	104,205	-	1,177,993
Excess of support and revenue over expenditures	-	77,935	-	-	77,935
Fund balances, beginning of year	-	313,076	11,804	507,603	832,483
Transfers, equipment acquisitions	-	(10,389)	-	10,389	-
Fund balances, end of year	\$ -	\$ 380,622	\$ 11,804	\$ 517,992	\$ 910,418

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

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

STATEMENTS OF CASH FLOWS
For the year ended June 30, 2004

	Operating Funds			Fixed Assets Fund	Total (Memorandum Only)
	General	Trust	Grants		
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess of support and revenue over expenditures	\$ -	\$ 204,584	\$ 75,000	\$ -	\$ 279,584
Adjustments to reconcile excess of support and revenue over expenditures to net cash provided by operating activities:					
Changes in assets and liabilities:					
Interest receivable	-	3,491	-	-	3,491
Grant receivable	-	(45,000)	-	-	(45,000)
Other receivables	-	(15,094)	-	-	(15,094)
Prepaid expenses	-	(1,931)	-	-	(1,931)
Accounts payable	-	114,368	-	-	114,368
Net cash provided by operating activities	-	260,418	75,000	-	335,418
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	-	(29,616)	(86,804)	-	(116,420)
Net change in cash and cash equivalents	-	230,802	(11,804)	-	218,998
Cash and cash equivalents, beginning of year	-	412,970	11,804	-	424,774
Cash and cash equivalents, end of year	\$ -	\$ 643,772	\$ -	\$ -	\$ 643,772

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

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

STATEMENTS OF CASH FLOWS (Continued)
For the year ended June 30, 2003

	Operating Funds			Fixed Assets Fund	Total (Memorandum Only)
	General	Trust	Grants		
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess of support and revenue over expenditures	\$ -	\$ 77,935	\$ -	\$ -	\$ 77,935
Adjustments to reconcile excess of support and revenue over expenditures to net cash provided by operating activities:					
Changes in assets and liabilities:					
Interest receivable	-	1,119	-	-	1,119
Receivable from SFUSD	-	89,096	-	-	89,096
Accounts payable	-	6,321	-	-	6,321
Net cash provided by operating activities	-	174,471	-	-	174,471
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	-	(10,389)	-	-	(10,389)
Net change in cash and cash equivalents	-	164,082	-	-	164,082
Cash and cash equivalents, beginning of year	-	248,888	11,804	-	260,692
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 412,970</u>	<u>\$ 11,804</u>	<u>\$ -</u>	<u>\$ 424,774</u>

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

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2004 and 2003

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - KALW-FM Radio (the Station) is a noncommercial public broadcasting radio station owned and operated by the San Francisco Unified School District. As a result, it is subject to the laws and regulations of the State of California and the policies of the San Francisco Board of Education. The Station's major source of revenue is from subscriptions and memberships.

Method of Accounting - The financial statements of the Station are prepared using the modified accrual method of accounting, under which revenues are recognized when they become available and measurable, and expenditures are recorded when incurred, except for sick and vacation pay, the values of which are recorded when paid. Contributions, gifts and grants that are unrestricted are recorded as revenue when received.

Fund Descriptions - The assets, liabilities and fund balances of the Station are reported in four self-balancing funds as follows:

Operating funds:

- *General* - includes resources provided by the San Francisco Unified School District for the general operations of the Station.
- *Trust* - includes resources provided by contributions of individuals and underwriting fees for the general operations of the Station.
- *Grants* - includes grant resources provided by the Corporation for Public Broadcasting for the operations of the Station, and resources provided by the State of California for emergency broadcast services.

The Fixed Asset Fund includes resources invested in furniture and fixtures, the transmission satellite and broadcasting equipment.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

A portion of the cash balances of the Station are included in a commingled account held by the Treasurer of the City and County of San Francisco to the credit of the San Francisco Unified School District.

Property and Equipment - The Station records property and equipment at cost of acquisition or at their estimated fair market value on the date they are donated. KALW-FM Radio does not record the depreciation of property and equipment, and the Station has adopted a \$500 minimum threshold for capitalization.

KALW-FM RADIO

(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2004 and 2003

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

In-Kind Contributions - Donated facilities include a transmitter and antenna site contributed by the City and County of San Francisco. This donation was recorded in both revenue and expenditures at estimated fair rental value. Donated facilities also include office, production and broadcasting space contributed by the San Francisco Unified School District. For the years ended June 30, 2004 and 2003, KALW-FM Radio recorded the value of the donated studio and office space as revenues and expenditures based upon the appraised value of the building and improvements to the San Francisco Unified School District.

In accordance with the Corporation for Public Broadcasting *Financial Reporting Guidelines*, KALW-FM Radio records as revenues and expenditures the value of donated volunteer services only when they create or enhance a nonfinancial asset and: 1) would typically need to be purchased by the Station if they had not been donated, and 2) require specialized skills and are provided by individuals with those skills who ordinarily charge fees for the same type of service donated.

Indirect administrative support from the San Francisco Unified School District consisted of an allocation of financial, accounting and certain other costs that benefitted the Station.

Accounts Receivable - It is the practice of the Station to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Furniture and Fixtures	Equipment	Total
Balance, June 30, 2002	\$ 4,272	\$ 503,331	\$ 507,603
Additions	-	10,389	10,389
Balance, June 30, 2003	4,272	513,720	517,992
Additions	-	116,420	116,420
Balance, June 30, 2004	\$ 4,272	\$ 630,140	\$ 634,412

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2004 and 2003

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS

All permanent employees of the Station are eligible to participate in the employee retirement systems offered by the San Francisco Unified School District. The types of plans offered vary based on the employee's status and the eligibility of each plan. The employer-funded portion of contributions made to the employee retirement systems on behalf of KALW employees was \$18,183 and \$23,797 for the years ended June 30, 2004 and 2003, respectively.

NOTE 4 OPERATING LEASE

The Station entered into an operating lease for a photocopier on January 1, 2004. The lease term is 60 months. The lease expense for the year was \$3,893 in 2004.

Future estimated minimum lease payments for the current and succeeding years are as follows:

<u>June 30,</u>	
2005	\$ 6,216
2006	6,216
2007	6,216
2008	6,216
2009	<u>3,108</u>
	<u>\$ 27,972</u>

NOTE 5 LICENSE RENEWAL

The Station has been subject to a license challenge, resulting in the delay of the renewal of the Station's license with the Federal Communication Commission (FCC). As a part of the challenge, allegations have been made against the Station, including failure to maintain the Station's public file in accordance with FCC's rules. As of June 30, 2004, the remaining unsettled issues relate to 1) the failure to maintain the public file, 2) Equal Employment Opportunity (EEO) compliance, and 3) lack of candor.

Counsel has indicated that the outcome could fall within the following possibilities: (a) the renewal of the Station's license, with no hearing and no fine, (b) a fine based on any combination of the charges, with base penalties of \$10,000 for public inspection file violations, \$3,000 per occurrence for failure to file ownership reports (the contention is that two or three ownership reports were not filed), and \$27,500 for misrepresentation, or (c) a maximum fine of \$300,000 plus legal expenses associated with a hearing, and the loss of the license held by SFUSD.

As of the report date, counsel was involved in ongoing negotiations with the FCC to resolve the matter, but a probable outcome could not be determined. As such, no amount has been accrued for the loss contingency in these financial statements.

SUPPLEMENTARY INFORMATION

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

SCHEDULES OF FUNCTIONAL EXPENDITURES
For the year ended June 30, 2004

	<u>Program Services</u>				<u>Supporting Services</u>	
	Programming and Production	Broadcasting	Program Information	Total	Management and General	Total
Salaries and employee benefits	\$ 226,179	\$ 126,661	\$ 27,142	\$ 379,982	\$ 72,377	\$ 452,359
Membership fees	-	108,374	-	108,374	108,374	216,748
Office and other supplies	80,392	45,018	9,647	135,057	25,726	160,783
Donated transmitter site	-	96,000	-	96,000	-	96,000
Administrative support	-	-	-	-	50,869	50,869
Annual rental value	29,994	16,797	3,599	50,390	9,598	59,988
Contracted services	-	-	-	-	154,618	154,618
Telephone	11,208	6,276	1,345	18,829	3,586	22,415
Repairs and maintenance	2,734	2,735	-	5,469	-	5,469
Travel and conferences	-	-	1,762	1,762	1,762	3,524
Insurance	1,046	-	-	1,046	-	1,046
	<u>\$ 351,553</u>	<u>\$ 401,861</u>	<u>\$ 43,495</u>	<u>\$ 796,909</u>	<u>\$ 426,910</u>	<u>\$ 1,223,819</u>

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

SCHEDULES OF FUNCTIONAL EXPENDITURES (Continued)
For the year ended June 30, 2003

	Program Services				Supporting Services	
	Programming and Production	Broadcasting	Program Information	Total	Management and General	Total
Salaries and employee benefits	\$ 222,116	\$ 124,385	\$ 26,654	\$ 373,155	\$ 71,076	\$ 444,231
Membership fees	-	102,349	-	102,349	102,349	204,698
Office and other supplies	66,616	37,305	7,994	111,915	21,316	133,231
Donated transmitter site	-	96,000	-	96,000	-	96,000
Administrative support	-	-	-	-	48,667	48,667
Annual rental value	29,994	16,797	3,599	50,390	9,598	59,988
Contracted services	-	-	-	-	138,096	138,096
Professional services	21,157	-	-	21,157	-	21,157
Telephone	10,173	5,697	1,221	17,091	3,254	20,345
Repairs and maintenance	1,976	1,976	-	3,952	-	3,952
Travel and conferences	-	-	3,123	3,123	3,123	6,246
Equipment	357	-	-	357	-	357
Insurance	1,025	-	-	1,025	-	1,025
	<u>\$ 353,414</u>	<u>\$ 384,509</u>	<u>\$ 42,591</u>	<u>\$ 780,514</u>	<u>\$ 397,479</u>	<u>\$ 1,177,993</u>

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

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

We have audited the financial statements of KALW-FM Radio (a California Public Telecommunications Entity Operated by the San Francisco Unified School District) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards required by the Corporation for Public Broadcasting, *Financial Reporting Guidelines*; and the standards for financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether KALW-FM Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered KALW-FM Radio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessary disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of KALW-FM Radio in a separate letter dated November 2, 2004.

This report is intended solely for the information and use of Board of Education, management, and applicable federal, state and local agencies and is not intended to be and should not be used by anyone other than these specified parties.



November 2, 2004

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT

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

We have audited, in accordance with generally accepted auditing standards, the financial statements of KALW-FM Radio for the year ended June 30, 2004, and have issued our report thereon dated November 2, 2004. We have also audited the following Schedule of Nonfederal Financial Support (hereafter, "Schedule") for the year ended June 30, 2004, pursuant to the Public Telecommunications Financing Act of 1978. This Schedule is the responsibility of the management of KALW-FM Radio. Our responsibility is to express an opinion on this Schedule based on our audit.

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

The Schedule was prepared for the purpose of complying with the criteria for revenue established in the Corporation for Public Broadcasting's *Fiscal Year 2000 Annual Financial Report Handbook of Instructions*, and is not intended to be a complete presentation of KALW-FM Radio's revenue.

In our opinion, the Schedule mentioned above presents fairly, in all material respects, the nonfederal financial support of KALW-FM Radio for the year ended June 30, 2004, as defined by the Communications Act of 1934, as amended; and adheres to the appropriate source, form, purpose, and recipient criteria as described in the Corporation for Public Broadcasting's *Fiscal Year 2000 Annual Financial Report Handbook of Instructions*; and includes only amounts that are also included in KALW-FM Radio's financial statements for the year ended June 30, 2004.

This report is intended solely for the information of the Board of Education, management of KALW-FM Radio and the Corporation for Public Broadcasting and should not be used for any other purpose.



November 2, 2004

KALW-FM RADIO
(A California Public Telecommunications Entity Operated by the San Francisco Unified School District)

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT
For the year ended June 30, 2004

SUMMARY OF NONFEDERAL FINANCIAL SUPPORT:

1.	Direct Nonfederal Revenue (excluding in-kind contributions)	\$ 1,099,047
2.	Indirect Administrative Support	110,857
3.	In-Kind Contributions:	
	City and County of San Francisco: Transmitter Site	<u>96,000</u>
4.	Total Nonfederal Financial Support	<u>\$ 1,305,904</u>