

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE F BOND FUND
ANNUAL FINANCIAL REPORT
JUNE 30, 2004**

SAN JOSE UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Governing Board of San Jose Unified School District
Citizen's Bond Oversight Committee
San Jose, California

We have audited the accompanying financial statements of the Measure F Bond Fund of San Jose Unified School District, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Measure F Bond Fund, and do not purport to, and do not, present fairly the financial position and results of operations of the San Jose Unified School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure F Bond Fund of San Jose Unified School District at June 30, 2004, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Pleasanton, California
November 23, 2004

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE F BOND FUND
BALANCE SHEET
JUNE 30, 2004**

ASSETS

Cash and Cash Investments	\$ 61,854,432
Accounts receivable	269,287
Total Assets	<u>\$ 62,123,719</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 6,826,601
Due to other fund	258,789
Total Liabilities	<u>7,085,390</u>

FUND EQUITY

Fund balances	
Undesignated	55,038,329
Total Fund Equity	<u>55,038,329</u>
Total Liabilities and Fund Equity	<u>\$ 62,123,719</u>

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

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE F BOND FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004**

REVENUES	
Interest income	<u>\$ 1,234,476</u>
EXPENDITURES	
Current Expenditures	
Materials & Supplies	1,871,983
Professional services	1,152,084
Capital outlay	<u>22,626,958</u>
Total Expenditures	<u>25,651,025</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(24,416,549)
OTHER FINANCING SOURCES/(USES)	
Transfer Out	<u>1,284,462</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER SOURCES/(USES)	(25,701,011)
FUND BALANCE, BEGINNING OF YEAR	<u>80,739,340</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 55,038,329</u></u>

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

SAN JOSE UNIFIED SCHOOL DISTRICT

MEASURE F BOND FUND NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Jose Unified School District Bond Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The San Jose Unified School District Measure F Bond Fund for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Measure F Bond Fund of the San Jose Unified School District. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2002. The authorized issuance amount of the bonds is \$429,000,000. The first series of bonds in the amount of \$84,000,000 have been sold. These financial statements are not intended to present fairly the financial position and results of operations of the San Jose Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure F Bond Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the San Jose Unified School District Measure F Bond Fund are accounted for under the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. No amounts were reserved or designated at June 30, 2004.

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE F BOND FUND
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2004**

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Supplemental taxes for repayment of bond proceeds are collected by the County of Santa Clara from all taxable property within the District. 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 Santa Clara bills and collects the taxes for the District. The District recognizes tax revenues when received. The tax revenues collected for repayment of the bonds is accumulated in the bond interest and redemption fund of the San Jose Unified School District, which has not been included in these financial statements.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

Investments at June 30, 2004, held on behalf of the Measure F Bond Fund of the San Jose Unified School District consist of deposits in the County of Santa Clara Treasury:

	Reported Amount	Fair Value
Deposits with county treasurer	<u>\$ 61,854,432</u>	<u>\$ 61,378,153</u>

Deposits with County Treasurer is an external investment pool sponsored by the County of Santa Clara. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2004, consist of the following:

Interest	<u>\$ 269,287</u>
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SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE F BOND FUND
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2004**

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Payables (Due To)

The interfund payable in the amount of \$258,789 is due to the other District funds at June 30, 2004 as follows:

Building Fund 21	\$ 40,600
Measure C Fund 22	214,849
QZAB Fund 24	3,310
Transportation Fund 06	30
	<u>\$ 258,789</u>

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2004, consists of the following:

Vendor payables	<u>\$ 6,826,601</u>
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NOTE 6 – LONG-TERM DEBT

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the San Jose Unified School District.

General obligation bonds related to Measure F have been issued and are outstanding as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>July 1, 2003</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2004</u>
8/1/2002	8/1/2022	1.4-5.0%	\$84,000,000	<u>\$ 84,000,000</u>	<u>\$ -</u>	<u>\$ 9,540,000</u>	<u>\$ 74,460,000</u>

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE F BOND FUND
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2004**

Debt Service Requirements:

The general obligation bonds mature through 2028 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2005	\$ 10,475,000	\$ 3,162,435	\$ 13,637,435
2006	4,235,000	2,920,610	7,155,610
2007	2,235,000	2,807,972	5,042,972
2008	2,545,000	2,741,860	5,286,860
2009-2013	4,225,000	13,131,300	17,356,300
2014-2018	7,455,000	12,072,375	19,527,375
2019-2023	15,625,000	9,117,801	24,742,801
2024-2028	27,665,000	3,745,375	31,410,375
Total	<u>\$ 74,460,000</u>	<u>\$ 49,699,728</u>	<u>\$ 124,159,728</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2004, the Measure F Bond Fund had the following commitments with respect to unfinished capital projects:

<u>Description</u>	<u>Amount</u>
Measure F Bond Modernization at various sites	<u>\$ 20,893,593</u>