

**SAN JOSE UNIFIED SCHOOL DISTRICT**

**MEASURE F BOND FUND  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2006**

**SAN JOSE UNIFIED SCHOOL DISTRICT**

**MEASURE F BOND FUND**

**TABLE OF CONTENTS**

**JUNE 30, 2006**

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|                              |   |
|------------------------------|---|
| Independent Auditors' Report | 1 |
|------------------------------|---|

**FINANCIAL STATEMENTS**

Measure F Bond Fund

|               |   |
|---------------|---|
| Balance Sheet | 2 |
|---------------|---|

|   |   |
|---|---|
| Statement of Revenues, Expenditures and Changes in Fund Balance | 3 |
|---|---|

|                               |   |
|-------------------------------|---|
| Notes to Financial Statements | 4 |
|-------------------------------|---|



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, 2006, 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, 2006, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Vavrinek, Trine, Day & Co., LLP*

Pleasanton, California  
September 8, 2006

**SAN JOSE UNIFIED SCHOOL DISTRICT**

**MEASURE F BOND FUND  
BALANCE SHEET  
JUNE 30, 2006**

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**ASSETS**

|                           |                       |
|---------------------------|-----------------------|
| Cash and cash investments | \$ 160,016,971        |
| Accounts receivable       | 308,549               |
| Other assets              | 39,262                |
| Due from other funds      | 46                    |
| Prepaid expenses          | 70,676                |
| Total Assets              | <u>\$ 160,435,504</u> |

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

|                   |                   |
|-------------------|-------------------|
| Accounts payable  | \$ 14,190,723     |
| Due to other fund | 11                |
| Total Liabilities | <u>14,190,734</u> |

**FUND EQUITY**

|                                   |                       |
|-----------------------------------|-----------------------|
| Fund balances                     |                       |
| Undesignated                      | <u>146,244,770</u>    |
| Total Fund Equity                 | <u>146,244,770</u>    |
| Total Liabilities and Fund Equity | <u>\$ 160,435,504</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, 2006**

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REVENUES

|                     |                  |
|---------------------|------------------|
| Interest income     | \$ 1,718,114     |
| Other local revenue | 100              |
| Total Revenues      | <u>1,718,214</u> |

EXPENDITURES

|                        |                   |
|------------------------|-------------------|
| Current Expenditures   |                   |
| Classified salaries    | 1,150,372         |
| Employee benefits      | 468,462           |
| Materials and supplies | 2,198,222         |
| Professional services  | 1,323,229         |
| Capital outlay         | 79,780,077        |
| Total Expenditures     | <u>84,920,362</u> |

EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES (83,202,148)

OTHER FINANCING SOURCES/(USES)

|                             |                    |
|-----------------------------|--------------------|
| Proceeds from sale of bonds | 149,999,025        |
| Transfer out                | (1,343,411)        |
| Total Sources/Uses          | <u>148,655,614</u> |

EXCESS OF REVENUES AND OTHER

FINANCING SOURCES OVER/(UNDER)

EXPENDITURES AND OTHER SOURCES/(USES)

FUND BALANCE, BEGINNING OF YEAR

FUND BALANCE, END OF YEAR

65,453,466

80,791,305

\$ 146,244,771

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, 2006

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### 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 (2002 Series A) in the amount of \$84,000,000, the second series of bonds (2005 Series B) in the amount of \$91,000,000, and the third series of bonds (2006 Series C) in the amount of \$149,999,026 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, 2006.

# SAN JOSE UNIFIED SCHOOL DISTRICT

## MEASURE F BOND FUND NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2006

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### 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, 2006, 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<br>Amount    |
|--------------------------------|-----------------------|
| Deposits with county treasurer | <u>\$ 160,016,971</u> |

### Policies and Practices

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts 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.

**SAN JOSE UNIFIED SCHOOL DISTRICT**

**MEASURE F BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2006**

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**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury pool. The fair value of the deposits for the Bond fund with the County Treasurer at June 30, 2006 was \$158,600,039 and the weighted average of the pool was 1.3 years.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Receivables at June 30, 2006, consist of the following:

|                     |                   |
|---------------------|-------------------|
| Interest receivable | <u>\$ 308,549</u> |
|---------------------|-------------------|

**NOTE 4 – INTERFUND TRANSACTIONS**

**Interfund Payables (Due To)**

The interfund payable in the amount of \$11 is due to the other District funds at June 30, 2006 as follows:

|                               |              |
|-------------------------------|--------------|
| Deferred Maintenance Fund 140 | <u>\$ 11</u> |
|-------------------------------|--------------|

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2006, consists of the following:

|                 |                      |
|-----------------|----------------------|
| Vendor payables | <u>\$ 14,190,723</u> |
|-----------------|----------------------|

**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 Government - Wide financial statements of the San Jose Unified School District. The following information is provided for informational purposes.

**SAN JOSE UNIFIED SCHOOL DISTRICT**

**MEASURE F BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2006**

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

| Issue Date | Maturity Date | Interest Rate | Original Issue | July 1 2005          | Issued               | Accreted Interest | Redeemed            | June 30, 2006        |
|------------|---------------|---------------|----------------|----------------------|----------------------|-------------------|---------------------|----------------------|
| 8/1/02     | 8/1/22        | 1.4-5.0%      | \$84,000,000   | \$ 63,985,000        | \$ -                 | \$ -              | \$ 4,235,000        | \$ 59,750,000        |
| 4/20/05    | 4/20/29       | 3.0-5.0%      | 91,000,000     | 91,000,000           | -                    | -                 | -                   | 91,000,000           |
| 6/1/06     | 6/1/31        | 3.0-5.0%      | 149,999,026    | -                    | 149,999,026          | 16,377            | -                   | 150,015,403          |
|            |               |               |                | <u>\$154,985,000</u> | <u>\$149,999,026</u> | <u>\$ 16,377</u>  | <u>\$ 4,235,000</u> | <u>\$300,765,403</u> |

**Debt Service Requirements:**

The general obligation bonds mature through 2031 as follows:

| Fiscal Year       | Principal             | Interest to Maturity  | Total                 |
|-------------------|-----------------------|-----------------------|-----------------------|
| 2007              | \$ 7,570,000          | \$ 10,870,215         | \$ 18,440,215         |
| 2008              | 7,210,000             | 12,067,827            | 19,277,827            |
| 2009              | 5,950,000             | 11,430,038            | 17,380,038            |
| 2010              | 2,460,000             | 11,280,310            | 13,740,310            |
| 2011              | 2,720,000             | 11,182,723            | 13,902,723            |
| 2012-2016         | 27,070,000            | 53,305,357            | 80,375,357            |
| 2017-2021         | 58,485,000            | 43,387,711            | 101,872,711           |
| 2022-2026         | 97,484,533            | 32,150,143            | 129,634,676           |
| 2027-2031         | 83,301,239            | 68,872,636            | 152,173,875           |
| 2032              | 8,498,254             | 20,536,746            | 29,035,000            |
| Sub Total         | <u>\$ 300,749,026</u> | <u>\$ 254,546,959</u> | <u>\$ 546,797,731</u> |
| Accretion to-date | 16,377                |                       |                       |
| Total             | <u>\$ 300,765,403</u> |                       |                       |

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

As of June 30, 2006, the Measure F Bond Fund had the following commitments with respect to unfinished capital projects:

| Description                                   | Amount               |
|---|----------------------|
| Measure F Bond Modernization at various sites | <u>\$ 51,853,000</u> |