
SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE C BOND FUND
THREE YEARS COMPARATIVE
FINANCIAL REPORT
JUNE 30, 2005, 2006, 2007**

SAN JOSE UNIFIED SCHOOL DISTRICT

MEASURE C BOND FUND

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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 C Bond Fund of San Jose Unified School District, as of and for the years ended June 30, 2005, 2006, 2007, 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Measure C 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 C Bond Fund of San Jose Unified School District at June 30, 2005, 2006, 2007, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
November 26, 2007

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE C BOND FUND
BALANCE SHEETS
JUNE 30,**

	<u>2005</u>	<u>2006</u>	<u>2007</u>
ASSETS			
Cash and cash investments	\$ 13,746,564	\$ 31,334,510	\$ 26,787,195
Accounts receivable	90,106	362,194	346,643
Due from other funds	9,625	-	90,697
Prepaid expenses	-	22,319	-
Total Assets	<u>\$ 13,846,295</u>	<u>\$ 31,719,023</u>	<u>\$ 27,224,535</u>
 LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 1,204,774	\$ 330,216	\$ 982,848
Due to other fund	186,723	-	11,209
Total Liabilities	<u>1,391,497</u>	<u>330,216</u>	<u>994,057</u>
 FUND EQUITY			
Fund balances			
Undesignated	12,454,798	31,388,807	26,230,478
Total Fund Equity	<u>12,454,798</u>	<u>31,388,807</u>	<u>26,230,478</u>
Total Liabilities and Fund Equity	<u>\$ 13,846,295</u>	<u>\$ 31,719,023</u>	<u>\$ 27,224,535</u>

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

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE C BOND FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30,**

	2005	2006	2007
REVENUES			
Interest income	\$ 268,150	\$ 896,852	\$ 1,421,646
Other local revenue	-	291,668	-
Total Revenues	<u>268,150</u>	<u>1,188,520</u>	<u>1,421,646</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	986,068	45,204	83,275
Employee benefits	367,653	16,169	28,024
Materials and supplies	32,779	25,731	27,304
Professional services	384,303	222,355	200,270
Capital outlay	1,468,166	2,365,715	6,269,175
Total Expenditures	<u>3,238,969</u>	<u>2,675,174</u>	<u>6,608,048</u>
EXCESS OF EXPENDITURES OVER REVENUES	(2,970,819)	(1,486,654)	(5,186,402)
OTHER FINANCING USES			
Proceeds from sale of bonds	-	20,420,663	28,073
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER SOURCES/(USES)	(2,970,819)	18,934,009	(5,158,329)
FUND BALANCE, BEGINNING OF YEAR	<u>15,425,617</u>	<u>12,454,798</u>	<u>31,388,807</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,454,798</u>	<u>\$ 31,388,807</u>	<u>\$ 26,230,478</u>

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

SAN JOSE UNIFIED SCHOOL DISTRICT

MEASURE C BOND FUND NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2005, 2006 and 2007

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 C 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 C 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 1997. The authorized issuance amount of the bonds is \$165,000,000. The first series of bonds (1997 Series A) in the amount of \$28,670,956, the second series of bonds (1998 Series B) in the amount of \$49,995,605, the third series of bonds (2001 Series C) in the amount of \$21,490,000 and the fourth series of bonds (2001 Series D) in the amount of \$66,330,000 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 C 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 C 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, 2005, 2006 and 2007.

SAN JOSE UNIFIED SCHOOL DISTRICT

MEASURE C BOND FUND NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2005, 2006 and 2007

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, 2005, 2006 and 2007, held on behalf of the Measure C Bond Fund of the San Jose Unified School District consist of deposits in the County of Santa Clara Treasury:

	2005	2006	2007
Deposits with county treasurer			
Reported Amount	\$ 13,746,564	\$ 31,334,510	\$ 26,787,195
Fair Value	\$ 13,705,707	\$ 31,057,200	\$ 26,697,726

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.

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE C BOND FUND
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2005, 2006 and 2007**

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.

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, 2005, 2006 and 2007 consist of the following:

	2005	2006	2007
Interest receivable	\$ 90,106	\$ 362,194	\$ 346,643

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Payables (Due To)

The interfund payable is due to the other District funds at June 30, 2005, 2006 and 2007 as follows:

	2005	2006	2007
General Fund	\$ 186,723	\$ -	\$ 11,209

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, 2006 and 2007, consists of the following:

	2005	2006	2007
Vendor payables	\$ 1,204,774	\$ 330,216	\$ 982,848

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE C BOND FUND
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2005, 2006 and 2007**

NOTE 6 – PROCEEDS FROM SALE OF BONDS

In June 2006, the District issued \$148,148,960 in current interest and capital appreciation general obligation bonds at a premium of \$20,420,663 net of cost of issuance. Except for the net premium deposited into the Measure C Bond Fund, the proceeds were used to advance refund partially or fully the outstanding bonds that were issued in 1997, 1998, and 2001.

NOTE 7 – 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.

General obligation bonds related to Measure C have been issued and are outstanding at June 30, 2005 as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	July 1, 2004	Issued	Accreted Interest	Redeemed	June 30, 2005
Current Interest Bonds								
1997	2008	3.9-5.0%	\$ 15,180,000	\$ 8,980,000	\$ -	\$ -	\$ 1,550,000	\$ 7,430,000
1998	2010	3.5-8.3%	27,970,000	20,375,000	-	-	2,310,000	18,065,000
2001	2025	4.3-5.1%	21,490,000	21,070,000	-	-	300,000	20,770,000
2001	2026	4.5-5.0%	66,330,000	65,805,000	-	-	660,000	65,145,000
Capital Appreciation Bonds								
1997	2022	5.1-5.65%	13,490,956	19,525,088	-	1,070,500	-	20,595,588
1998	2023	4.55-5.15%	22,028,605	28,617,996	-	1,430,601	-	30,048,597
				<u>\$ 164,373,084</u>	<u>\$ -</u>	<u>\$ 2,501,101</u>	<u>\$ 4,820,000</u>	<u>\$ 162,054,185</u>

General obligation bonds related to Measure C have been issued and are outstanding at June 30, 2006 as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	July 1, 2005	Issued	Accreted Interest	Redeemed	June 30, 2006
Current Interest Bonds								
1997	2008	3.9-5.0%	\$ 15,180,000	\$ 7,430,000	\$ -	\$ -	\$ 5,645,000	\$ 1,785,000
1998	2010	3.5-8.3%	27,970,000	18,065,000	-	-	18,065,000	-
2001	2025	4.3-5.1%	21,490,000	20,770,000	-	-	350,000	20,420,000
2001	2026	4.5-5.0%	66,330,000	65,145,000	-	-	65,145,000	-
2005	2019	4.0-5.0%	137,120,000	-	137,120,000	-	-	137,120,000
Capital Appreciation Bonds								
1997	2022	5.1-5.65%	13,490,956	20,595,588	-	575,372	21,170,960	-
1998	2023	4.55-5.15%	22,028,605	30,048,597	-	760,247	30,808,844	-
				<u>\$ 162,054,185</u>	<u>\$ 137,120,000</u>	<u>\$ 1,335,619</u>	<u>\$ 141,184,804</u>	<u>\$ 159,325,000</u>

SAN JOSE UNIFIED SCHOOL DISTRICT

**MEASURE C BOND FUND
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2005, 2006 and 2007**

General obligation bonds related to Measure C have been issued and are outstanding at June 30, 2007 as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	July 1, 2006	Issued	Accreted Interest	Redeemed	June 30, 2007
Current Interest Bonds								
1997	2008	3.9-5.0%	\$ 15,180,000	\$ 1,785,000	\$ -	\$ -	\$ 1,785,000	\$ -
2001	2025	4.3-5.1%	21,490,000	20,420,000	-	-	395,000	20,025,000
2005	2019	4.0-5.0%	137,120,000	137,120,000	-	-	3,925,000	133,195,000
				<u>\$ 159,325,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,105,000</u>	<u>\$ 153,220,000</u>

Debt Service Requirements:

The general obligation bonds mature through 2027 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 5,670,000	\$ 7,237,866	\$ 12,907,866
2009	7,925,000	6,970,798	14,895,798
2010	10,395,000	6,560,491	16,955,491
2011	13,230,000	5,978,479	19,208,479
2012	14,660,000	5,293,671	19,953,671
2013-2017	61,615,000	15,287,187	76,902,187
2018-2022	34,020,000	3,286,256	37,306,256
2023-2027	5,705,000	453,690	6,158,690
Sub Total	<u>\$ 153,220,000</u>	<u>\$ 51,068,438</u>	<u>\$ 204,288,438</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2007, the Measure C Bond Fund had the following commitments with respect to unfinished capital projects:

Description	Amount
Measure C Bond Modernization at various sites	<u>\$ 3,491,943</u>