

**ALUM ROCK UNION ELEMENTARY  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
MEASURE G  
GENERAL OBLIGATION BOND FUND  
JUNE 30, 2010**



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees And  
Citizen's Bond Oversight Committee  
Alum Rock Union Elementary School District

We have audited the accompanying balance sheet of the Measure G General Obligation Bond Fund (the Fund), of the Alum Rock Union Elementary School District, as of June 30, 2010, and the related statement of revenues, expenditures and changes in fund balance for the year then ended. 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 the financial activity of the Fund only, and do not purport to, and do not, present the financial position and results of operations of the Alum Rock Union Elementary School District as a whole, 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 Fund, as of June 30, 2010, and the results of its operations for the year period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Vavrinek Trine Day + Co. LLP*

Palo Alto, California  
December 22, 2010

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

MEASURE G GENERAL OBLIGATION BOND FUND

BALANCE SHEET

JUNE 30, 2010

ASSETS

|                      |                      |
|----------------------|----------------------|
| Cash and investments | \$ 13,085,811        |
| Accounts receivable  | 2,500                |
| Total Assets         | <u>\$ 13,088,311</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

|                   |                  |
|-------------------|------------------|
| Accounts payable  | \$ 3,119,576     |
| Total Liabilities | <u>3,119,576</u> |

FUND BALANCE

|                                   |                      |
|-----------------------------------|----------------------|
| Fund balances                     |                      |
| Undesignated                      | 9,968,735            |
| Total Liabilities and Fund Equity | <u>\$ 13,088,311</u> |

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

MEASURE G GENERAL OBLIGATION BOND FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2010

REVENUES AND OTHER SOURCES

|                     |                |
|---------------------|----------------|
| Interest            | \$ 189,331     |
| Other local revenue | 6,772          |
| Total Revenues      | <u>196,103</u> |

EXPENDITURES

|                                     |                   |
|-------------------------------------|-------------------|
| Current Expenditures                |                   |
| Classified salaries and benefits    | 296,258           |
| Employee benefits                   | 87,430            |
| Supplies                            | 37,805            |
| Services and operating expenditures | 1,456,802         |
| Capital outlay                      | 16,988,404        |
| Total Expenditures                  | <u>18,866,699</u> |

EXCESS OF EXPENDITURES OVER REVENUES

|                          |                     |
|--------------------------|---------------------|
| Fund Balance - Beginning | (18,670,596)        |
| Fund balance - Ending    | <u>28,639,331</u>   |
|                          | <u>\$ 9,968,735</u> |

# ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

## MEASURE G GENERAL OBLIGATION BOND FUND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 2008 Measure G General Obligation Bond fund (the Fund) of the Alum Rock Union Elementary School District 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 Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

##### **Financial Reporting Entity**

The financial statements include the financial activity of the 2008 Measure G General Obligation Bond Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure G Bond Election of 2008. These financial statements are not intended to present the financial position and results of operations of the Alum Rock Union Elementary School District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$179,000,000. The first series of bonds in the amount of \$39,000,328 were sold on August 19, 2008.

##### **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 Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. 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.

##### **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.

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT**

**MEASURE G GENERAL OBLIGATION BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2 – CASH AND INVESTMENTS**

Deposits with the County Treasury and investments in the State Treasurer’s Investment Pool are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair value was provided by the County sponsor of its pool.

The cash and investments at June 30, 2010, consist of the following:

|                                | <u>Reported<br/>Amount</u> | <u>Fair<br/>Value</u> |
|--------------------------------|----------------------------|-----------------------|
| Deposits with county treasurer | \$ 13,085,811              | \$ 13,147,969         |

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2010, consisted of local receivable of \$2,500.

**NOTE 4 – ACCOUNTS PAYABLE**

Payables at June 30, 2010 consisted of the following:

|                       | <u>Amount</u>       |
|-----------------------|---------------------|
| Vendor payables       | \$ 3,090,762        |
| Salaries and benefits | 28,814              |
| Total                 | <u>\$ 3,119,576</u> |

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT**

**MEASURE G GENERAL OBLIGATION BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 – GENERAL LONG-TERM DEBT**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds                    |            |           | Bonds                     |
|------------|---------------|---------------|----------------|--------------------------|------------|-----------|---------------------------|
|            |               |               |                | Outstanding July 1, 2009 | Accreted   | Redeemed  | Outstanding June 30, 2010 |
| 2008       | 8/1/2033      | 3.00%-5.25%   | \$ 39,000,328  | \$ 39,000,328            | \$ 112,917 | \$ 60,000 | \$ 39,053,245             |

The bonds mature through 2034 as follows:

| Year Ending June 30, | Principal            | Interest to Maturity | Total         |
|----------------------|----------------------|----------------------|---------------|
| 2011                 | \$ -                 | \$ 1,879,064         | \$ 1,879,064  |
| 2012                 | 36,663               | 1,882,401            | 1,919,064     |
| 2013                 | 48,425               | 1,885,639            | 1,934,064     |
| 2014                 | 122,579              | 1,901,485            | 2,024,064     |
| 2015                 | 193,476.00           | 1,925,588            | 2,119,064     |
| 2016-2020            | 2,344,185            | 9,767,255            | 12,111,440    |
| 2021-2025            | 6,735,000            | 8,347,194            | 15,082,194    |
| 2026-2030            | 12,865,000           | 5,939,963            | 18,804,963    |
| 2031-2034            | 16,595,000           | 1,762,375            | 18,357,375    |
| Total                | 38,940,328           | \$ 35,290,964        | \$ 74,231,292 |
| Accretion to date    | 112,917              |                      |               |
|                      | <u>\$ 39,053,245</u> |                      |               |

Repayment of the Bonds is funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues are collected and disbursed out of a separate Bond Interest and Redemption Fund under the control of the Santa Clara Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT**

**MEASURE G GENERAL OBLIGATION BOND FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

| Capital Project   | Site                   | Remaining<br>Construction<br>Commitment | Expected<br>Date of<br>Completion |
|-------------------|------------------------|---|-----------------------------------|
| HVAC              | Linda Vista Elementary | \$ 1,667,482                            | 8/20/2010                         |
| HVAC              | Lyndale Elementary     | 1,508,765                               | 8/20/2010                         |
| HVAC              | Meyer Elementary       | 345,098                                 | 8/20/2010                         |
| Site Improvements | San Antonio Elementary | 2,423,188                               | 8/20/2011                         |
| Site Improvements | Hubbard Elementary     | 1,461,797                               | 8/20/2010                         |
| Site Improvements | District Office        | 1,222,505                               | 8/20/2010                         |
|                   |                        | <u>\$ 8,628,836</u>                     |                                   |

In May 2010, the District issued \$28 million in certificates of participation, with the intent to subsidize the funding of these construction commitments while continuing to obtain funding from the issuance of additional general obligation bonds. The certificates of participation are not subject to Proposition 39.