

**SANTA CLARA COUNTY  
BOARD OF EDUCATION  
FINANCE CORPORATION  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2011**

**SANTA CLARA COUNTY BOARD OF EDUCATION  
FINANCE CORPORATION  
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SANTA CLARA COUNTY BOARD OF EDUCATION  
FINANCE CORPORATION  
(A Component Unit of the Santa Clara County Office of Education)

OF SANTA CLARA COUNTY

SAN JOSE, CALIFORNIA

JUNE 30, 2011

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Joseph Di Salvo	Area 4 - President	2012
Michael Chang	Area 2 - Vice President	2014
Craig Mann	Area 6 - Member	2014
Anna Song	Area 5 - Member	2012
Leon F. Beauchman	Area 3 - Member	2012
Grace H. Mah	Area 1 - Member	2012
Julia Hover-Smoot	Area 7 - Member	2014

**ADMINISTRATION**

<u>NAME</u>	<u>TITLE</u>
Charles Weis, Ph.D.	Superintendent
Kenneth Shelton	Chief Business Officer
Cal Scheid	Director, Fiscal Services



INDEPENDENT AUDITOR'S REPORT

Board of Education  
Santa Clara County Board of Education  
Finance Corporation  
San Jose, California

We have audited the financial statements, as listed in the table of contents, of the Santa Clara County Board of Education Finance Corporation ( the Corporation) (a component unit of Santa Clara County Office of Education) as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Corporation'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 component unit financial statements present only the Corporation and are not intended to present fairly the financial position, results of operations and cash flows of the Santa Clara County Office of Education in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Santa Clara County Board of Education Finance Corporation as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
November 7, 2011

**SANTA CLARA COUNTY BOARD OF EDUCATION  
 FINANCE CORPORATION  
 (A Component Unit of the Santa Clara County Office of Education)**

**STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2011**

	<u>2002 COPS</u>
<b>Assets</b>	
Investments	\$ 1,171,250
Accrued interest	137,700
Cost of issuance, net of amortization	511,392
Lease receivable - County Office of Education	9,868,750
<b>Total assets</b>	<u>\$ 11,689,092</u>
<b>Liabilities</b>	
Interest payable	\$ 137,700
Current portion of long-term obligations	610,000
Noncurrent portion of long-term obligations	<u>10,430,000</u>
<b>Total liabilities</b>	11,177,700
<b>Net Assets</b>	<u>511,392</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,689,092</u>

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

**SANTA CLARA COUNTY BOARD OF EDUCATION  
 FINANCE CORPORATION  
 (A Component Unit of the Santa Clara County Office of Education)**

**STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2002 COPS</u>
REVENUES	
Lease interest payments	\$ 574,400
Interest income	58
Total Revenues	<u>574,458</u>
EXPENDITURES	
Fees and other expenses	58
Interest and amortization expense	610,928
Total Expenditures	<u>610,986</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,528)
NET ASSETS, BEGINNING OF YEAR	<u>547,920</u>
NET ASSETS, END OF YEAR	<u><u>\$ 511,392</u></u>

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

**SANTA CLARA COUNTY BOARD OF EDUCATION  
 FINANCE CORPORATION  
 (A Component Unit of the Santa Clara County Office of Education)**

**STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2002 COPS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (36,528)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Amortization of issuance costs and discount	36,528
Decrease in	
Interest receivable	(5,900)
(Decrease) in	
Interest payable	5,900
Net Cash Flows From Operating Activities	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Decrease in financing lease receivable	<u>560,000</u>
<b>CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payment on COPS	<u>(560,000)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND INVESTMENTS</b>	-
<b>CASH AND INVESTMENTS - BEGINNING OF YEAR</b>	<u>1,171,250</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b>	<u><u>\$ 1,171,250</u></u>

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

**SANTA CLARA COUNTY BOARD OF EDUCATION  
FINANCE CORPORATION  
(A Component Unit of the Santa Clara County Office of Education)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Santa Clara County Board of Education Finance Corporation (the Corporation) is a nonprofit, public benefit corporation organized by the Santa Clara County Board of Education (the Board) in 1995 under the laws of the State of California. The Corporation was organized to provide financing assistance to the Board by constructing, financing and leasing public facilities for use by the Board.

**Basis of Accounting- Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Corporation funds are accounted for on the accrual basis of accounting.

The financial activities of the Corporation are included in the financial statements of the Santa Clara County Office of Education (the County Office) because elected board members and officers of the County Office exercise significant control over the operations of the Corporation.

**Cash and Investments**

Pursuant to a trust agreement, BNY West Trust Company holds the Corporation's investments. In accordance with the agreement, investments are made generally in government-backed United States obligations. All amounts are considered to be cash equivalents for purposes of the Statement of Cash Flows.

**Income Taxes**

The Corporation is exempt from tax under Internal Revenue Service rulings and Franchise Tax Board regulations.

**Issuance Costs**

Issuance costs represent the costs associated with the issuance of the Certificates of Participation. These amounts are amortized over the lives of the Certificates on a straight-line basis.

**SANTA CLARA COUNTY BOARD OF EDUCATION  
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**NOTE 2 - CASH AND INVESTMENTS**

Details of cash and investments at June 30, 2011 are as follows:

Treasury Plus	<u>2002 COPs</u> <u>\$ 1,171,250</u>
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**NOTE 3 – LEASES RECEIVABLE**

As of April 1, 1995, the Corporation leased the 1290 Rider Park facility to the County Office. Under the provisions of the lease, the County Office may operate and maintain the facility for public purposes and, in return, pays to the Corporation a semi-annual rental payment. Rental payments are pledged to a trustee for the payment of debt principal and interest obligations. The County Office may purchase the facility by payment of any of the remaining Series A Certificates of Participation debt principal and interest.

**NOTE 4 - LONG-TERM DEBT**

**2002 Certificates of Participation**

On July 1, 2002 the Corporation issued \$15,895,000 in new certificates, with interest rates ranging from 3% to 5%, to pay off the 1995 Certificates which had interest rates ranging from 5% to 6%. Debt repayment is made in accordance with the terms and conditions of the Facility Leases and Trust Agreements.

Future annual principal and interest payment requirements at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>2002 Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 610,000	\$ 550,800	\$ 1,160,800
2013	640,000	526,400	1,166,400
2014	670,000	499,200	1,169,200
2015	700,000	470,726	1,170,726
2016	725,000	440,976	1,170,726
2017-2021	4,170,000	1,665,976	5,834,452
2022-2025	4,135,000	529,500	5,832,000
Totals	<u>\$ 11,650,000</u>	<u>\$ 4,683,578</u>	<u>\$ 17,504,304</u>

**SANTA CLARA COUNTY BOARD OF EDUCATION  
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**NOTE 5 - TRUST AGREEMENT**

As of April 1, 1995, the Corporation and the Board entered into a trust agreement under which base rental payments are pledged to a trustee for the payment of Series A Certificate of Participation principal and interest obligations. Under the trust agreement, the trustee receives all debt proceeds and base rental payments. The trustee is required to deposit debt proceeds, invest available funds, and make withdrawals and debt payments.

The trust agreement terminates at the conclusion of all principal and interest payments on Series A Certificates, including the 2002 Certificates of Participation, after which all rights and title to the facility transfer to the Board.