

EAST SIDE UNION HIGH SCHOOL DISTRICT
2002 MEASURE G GENERAL OBLIGATION BOND FUND
AGREED-UPON PROCEDURES REPORT

JUNE 30, 2006



INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Board of Trustees And
Citizens' Bond Oversight Committee
East Side Union High School District

We have performed the agreed-upon procedures, which were agreed to by the management of the East Side Union High School District (the District) and the Citizen's Bond Oversight Committee of the East Side Union High School District (the Committee), to review expenditures of the 2002 Measure G General Obligation Bond Fund (the Fund), covering a minimum of 80% of the total Fund expenditures for the year ended June 30, 2006, for the purpose of verifying if the use of the funds is within the scope of the published election materials specifying the intended use of bond proceeds. We used the election documents and District resolutions as the guidance for the intended use of the bond proceeds. Management of the District and the Committee are responsible for the compliance with the election documents and District resolutions. This engagement to perform agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform a "performance audit" as referred to in Proposition 39 and outlined in Subparagraph (C) of paragraph (3) of subdivision (b) of section 1 of Article XIII A of the California Constitution. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The 2002 Measure G General Obligation Bonds were authorized by an election of the registered voters of the East Side Union High School District held on November 5, 2002. The total amount authorized was \$298,000,000. The proceeds are to be used for the financing of site improvements and modernization of school facilities. The first series of bonds in the amount of \$30,000,000 were sold on June 19, 2002. The second series of bonds were sold on March 19, 2003, in the amount of \$30,000,000. The third series of bonds were sold on July 14, 2004, in the amount of \$50,000,000. The fourth series of bonds were sold on May 19, 2005, in the amount of \$70,000,000. The fifth series of the bonds were sold on June 2, 2005 for \$29,999,529.
2. Total expenditures, exclusive of transfers out and bond issuance costs, for the year ended June 30, 2006, were 46,233,395.

Agreed Upon Procedures Performed

1. Verify that the expenditures of funds were accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the 2002 Measure G General Obligation Bond were deposited in total into the District's accounts by obtaining the settlement statement for the new bond issue and verifying that the amounts were appropriately deposited into the building and debt service funds, as required.
3. Test expenditures covering a minimum of 80% of the total capital project expenditures, exclusive of issuance costs and transfers out, and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials or District resolutions or the project priority list that was distributed to the voters.

Results of Procedures

1. The 2002 Measure G General Obligation Bond Fund expenditures were accounted for separately as Program 819 in Fund 21 (the Building Fund) of the District. We believe the Measure G activity should have its own separate fund. See Findings 1 and 2 below.
2. All net funds received from the sale of the 2002 Measure G General Obligation Bonds were deposited in total into the District's accounts in the prior years.
3. We examined expenditures aggregating \$38,375,864, which are 83% of the total Measure G Bond expenditures, net of transfers out and estimated issuance costs, for the year ended June 30, 2006. Our review did not reveal any items that were paid from the Measure G Bond proceeds that did not comply with the intended use of bond proceeds approved by the voters of the District on November 5, 2002.

Findings

1. The Measure G activity should be segregated into a separate Capital Projects Fund and not commingled with the rest of the Fund 21 activity. The Measure G activity needs to be accounted for separately and recording its activity in a separate fund would greatly enhance accountability.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and the Committee and is not intended to be and should not be used by anyone other than those specified parties.

Varrinck Trime Day + Co. LLP

Palo Alto, California
November 17, 2006