

EAST SIDE UNION HIGH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
2002 MEASURE G GENERAL OBLIGATION BOND
FUND
JUNE 30, 2006



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of the 2002 Measure G General Obligation Bond Fund (the Fund), of the East Side Union High School District, as of June 30, 2006, and the related statement of revenues, expenditures and changes in fund balance for the year ended June 30, 2006. 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 East Side Union High 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, 2006, 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
November 17, 2006

EAST SIDE UNION HIGH SCHOOL DISTRICT

**2002 MEASURE G GENERAL OBLIGATION BOND FUND
BALANCE SHEET
JUNE 30, 2006**

ASSETS

Cash and investments	\$ 106,063,428
Accounts receivable	1,311,211
Total Assets	<u>\$ 107,374,639</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ 4,819,781</u>
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FUND BALANCE

Fund balances	
Undesignated	<u>102,554,858</u>
Total Liabilities and Fund Equity	<u>\$ 107,374,639</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**2002 MEASURE G GENERAL OBLIGATION BOND FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES AND OTHER SOURCES

Interest	\$ 4,861,451
Total Revenues	<u>4,861,451</u>

EXPENDITURES

Current Expenditures	
Supplies	1,236,823
Services and operating expenditures	2,877,062
Capital outlay	<u>42,119,510</u>
Total Expenditures	<u>46,233,395</u>

EXCESS OF EXPENDITURES

OVER REVENUES	(41,371,944)
FUND BALANCE, JULY 1, 2005	<u>143,926,802</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 102,554,858</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

2002 MEASURE G GENERAL OBLIGATION BOND FUND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 2002 Measure G General Obligation Bond fund (the Fund) of the East Side Union High 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 2002 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 2002. These financial statements are not intended to present the financial position and results of operations of the East Side Union High 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 \$298,000,000. 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 District has reflected \$59,542,000 in proceeds from the sale of these two bond issuances. \$458,000 was held by an outside trustee to pay issuance costs and is not reflected in the financial statements. 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 bonds were sold on June 2, 2005, in the amount of almost \$29,999,529.

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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**2002 MEASURE G GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 2 - 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 investments at June 30, 2006 had reported and fair values as follows:

	Reported Amount	Fair Value
Deposits with county treasurer	<u>\$ 106,063,428</u>	<u>\$ 105,124,767</u>

NOTE 3 – ACCOUNTS PAYABLE

Payables at June 30, 2006 consisted of vendor payables of \$4,819,781.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**2002 MEASURE G GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 4 – GENERAL LONG-TERM DEBT

The outstanding general obligation bonded debt is as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General obligation bonds	\$ 387,017,347	\$ 4,011,800	\$ 7,295,000	\$ 383,734,147	\$ 7,890,000

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 7,890,000	\$ 14,432,164	\$ 22,322,164
2008	10,980,000	14,140,557	25,120,557
2009	9,755,000	13,751,121	23,506,121
2010	11,514,566	13,385,815	24,900,381
2011	12,130,390	12,978,162	25,108,552
2012-2016	71,359,399	57,687,051	129,046,451
2017-2021	87,073,479	42,635,227	129,708,706
2022-2026	112,519,235	22,734,543	135,253,779
2027-2030	47,697,409	5,831,656	53,529,065
Total	\$ 370,919,478	\$ 197,576,297	\$ 568,495,775
Accretions to date	12,814,669		
	<u>383,734,147</u>		

Repayment of the Bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be 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.