EAST SIDE UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
2002 MEASURE G
GENERAL OBLIGATION BOND FUND
JUNE 30, 2007
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, 2007, and the related statement of revenues, expenditures and changes in fund balance for the year ended June 30, 2007. 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, 2007, and the results of its operations 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
February 15, 2008
ASSETS
   Cash and investments $ 102,910,214
   Accounts receivable  1,443,544
Total Assets $ 104,353,758

LIABILITIES AND FUND EQUITY

LIABILITIES
   Accounts payable $ 2,899,680
Total Liabilities 2,899,680

FUND BALANCE
   Fund balances
      Undesignated 101,454,078
Total Fund Equity 101,454,078
Total Liabilities and Fund Equity $ 104,353,758

The accompanying notes are an integral part of these financial statements.
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, 2007

REVENUES AND OTHER SOURCES
   Net proceeds from issuance of bonds $50,000,000
   Interest 6,656,882
   Total Revenues 56,656,882

EXPENDITURES
   Current Expenditures
      Supplies 3,906,614
      Services and operating expenditures 3,631,644
      Capital outlay 50,219,405
   Total Expenditures 57,757,663

EXCESS OF REVENUES OVER EXPENDITURES (1,100,780)
FUND BALANCE, JULY 1, 2006 102,554,858
FUND BALANCE, JUNE 30, 2007 $101,454,078

The accompanying notes are an integral part of these financial statements.
EAST SIDE UNION HIGH SCHOOL DISTRICT

2002 MEASURE G GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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. The District has reflected $149,999,529 in net proceeds that were deposited into the fund. The sixth series of bonds were sold on June 21, 2006, in the amount of $50,000,000.

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.
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, 2007 had reported and fair values as follows:

| Deposits with county treasurer | Reported Amount $102,910,214 | Fair Value $102,566,494 |

NOTE 3 -- ACCOUNTS PAYABLE

Payables at June 30, 2007 consisted of vendor payables of $2,899,680.

NOTE 4 -- GENERAL LONG-TERM DEBT

The outstanding general obligation bonded debt is as follows:

| General obligation bonds | Balance July 1, 2006 $383,734,147 | Additions $94,862,187 | Deductions $38,654,621 | Balance June 30, 2007 $439,941,713 | Due in One Year $11,690,000 |
EAST SIDE UNION HIGH SCHOOL DISTRICT

2002 MEASURE G GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The bonds mature through 2036 as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest to Maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$11,690,000</td>
<td>$16,480,140</td>
<td>$28,170,140</td>
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<tr>
<td>2009</td>
<td>12,119,566</td>
<td>16,820,838</td>
<td>28,940,404</td>
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<tr>
<td>2010</td>
<td>12,575,390</td>
<td>16,574,433</td>
<td>29,149,823</td>
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<td>2011</td>
<td>13,198,582</td>
<td>16,774,694</td>
<td>29,973,276</td>
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<tr>
<td>2012</td>
<td>13,850,877</td>
<td>16,563,992</td>
<td>30,414,869</td>
</tr>
<tr>
<td>2013-2017</td>
<td>80,102,117</td>
<td>78,097,265</td>
<td>158,199,382</td>
</tr>
<tr>
<td>2018-2022</td>
<td>109,933,202</td>
<td>65,395,442</td>
<td>175,328,644</td>
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<tr>
<td>2023-2027</td>
<td>125,502,271</td>
<td>44,900,724</td>
<td>170,402,995</td>
</tr>
<tr>
<td>2028-2032</td>
<td>43,311,940</td>
<td>24,038,435</td>
<td>67,350,375</td>
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<tr>
<td>2033-2036</td>
<td>11,195,000</td>
<td>1,150,370</td>
<td>12,345,370</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>433,478,945</strong></td>
<td><strong>296,796,332</strong></td>
<td><strong>730,275,277</strong></td>
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<tr>
<td><strong>Accretions to date</strong></td>
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<td></td>
<td>$6,462,768</td>
<td></td>
<td>$6,462,768</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$439,941,713</td>
<td></td>
<td>$439,941,713</td>
</tr>
</tbody>
</table>

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.