INDEPENDENT AUDITOR’S 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, 2010, and the related statement of revenues, expenditures and changes in fund balance for the year ended June 30, 2010. 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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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, 2010, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2011, on our consideration of the East Side Union High School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
February 15, 2011
EAST SIDE UNION HIGH SCHOOL DISTRICT

2002 MEASURE G GENERAL OBLIGATION BOND FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS
Cash and investments $ 55,000,533
Accounts receivable

$ 118,308

Total Assets

$ 55,118,841

LIABILITIES AND FUND EQUITY

LIABILITIES
Accounts payable

$ 3,183,185

FUND BALANCE
Fund balances
Undesignated

51,935,656

Total Liabilities and Fund Equity

$ 55,118,841

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, 2010**

<table>
<thead>
<tr>
<th>REVENUES AND OTHER SOURCES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$636,823</td>
</tr>
<tr>
<td>All other local income</td>
<td>$20,160</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$656,983</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Classified salaries</td>
<td>902,011</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>315,973</td>
</tr>
<tr>
<td>Supplies</td>
<td>64,675</td>
</tr>
<tr>
<td>Equipment</td>
<td>310,049</td>
</tr>
<tr>
<td>Services and operating expenditures</td>
<td>2,278,646</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>3,220,561</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>7,091,915</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEFICIENCY OF REVENUES OVER EXPENDITURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(6,434,932)</td>
</tr>
</tbody>
</table>

**FUND BALANCE, JULY 1, 2009**
58,370,588

**FUND BALANCE, JUNE 30, 2010**
51,935,656

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, 2010

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 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 sixth series of bonds were sold on June 21, 2006, in the amount of $50,000,000. The seventh series of bonds were sold on August 1, 2007, in the amount of $19,997,739 and the eighth and last series was issued on November 13, 2008, in the amount of $18,000,000.

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.
EAST SIDE UNION HIGH SCHOOL DISTRICT

2002 MEASURE G GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 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, 2010 had reported and fair values as follows:

<table>
<thead>
<tr>
<th></th>
<th>Reported Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits with county treasurer</td>
<td>$55,000,533</td>
<td>$55,261,786</td>
</tr>
</tbody>
</table>

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2010 consisted of interest receivable of $118,308.

NOTE 4 - ACCOUNTS PAYABLE

Payables at June 30, 2010 consisted of vendor payables of $3,183,185.
NOTE 5 – GENERAL LONG-TERM DEBT

The general obligation bonds of the District including measure G bonds are outstanding as follows:

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Original Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 19, 2002</td>
<td>August 1, 2026</td>
<td>3.25% - 5.75%</td>
<td>$ 30,000,000</td>
</tr>
<tr>
<td>March 19, 2003</td>
<td>August 1, 2028</td>
<td>2.50% - 5.00%</td>
<td>30,000,000</td>
</tr>
<tr>
<td>May 19, 2005</td>
<td>August 1, 2024</td>
<td>3.50% - 5.00%</td>
<td>70,000,000</td>
</tr>
<tr>
<td>July 14, 2004</td>
<td>August 1, 2028</td>
<td>4.00% - 5.00%</td>
<td>50,000,000</td>
</tr>
<tr>
<td>June 2, 2005</td>
<td>August 1, 2029</td>
<td>4.25% - 5.15%</td>
<td>29,999,529</td>
</tr>
<tr>
<td>June 21, 2006</td>
<td>August 1, 2036</td>
<td>4.00% - 4.25%</td>
<td>50,000,000</td>
</tr>
<tr>
<td>August 1, 2007</td>
<td>August 2, 2031</td>
<td>4.45% - 4.95%</td>
<td>19,997,739</td>
</tr>
<tr>
<td>November 13, 2008</td>
<td>August 1, 2031</td>
<td>5.00% - 6.00%</td>
<td>18,000,000</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.

NOTE 6 – CONSTRUCTION COMMITMENTS

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

<table>
<thead>
<tr>
<th>CAPITAL PROJECT</th>
<th>Remaining Construction Commitment</th>
<th>Expected Date of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Management Fees - All Sites</td>
<td>$ 1,332,584</td>
<td>Jun-11</td>
</tr>
<tr>
<td>Apollo Modular Classrooms</td>
<td>239,928</td>
<td>Jun-10</td>
</tr>
<tr>
<td>Foothill Modernization</td>
<td>124,923</td>
<td>Jun-11</td>
</tr>
<tr>
<td>James Lick Modernization</td>
<td>3,525,196</td>
<td>Jun-13</td>
</tr>
<tr>
<td>Independence Modernization</td>
<td>21,460</td>
<td>Jun-11</td>
</tr>
<tr>
<td>Mount Pleasant Modernization</td>
<td>198,536</td>
<td>Jun-11</td>
</tr>
<tr>
<td>W.C. Overfelt Modernization</td>
<td>711,390</td>
<td>Jun-11</td>
</tr>
<tr>
<td>Yerba Buena Modernization</td>
<td>215,714</td>
<td>Jun-11</td>
</tr>
<tr>
<td>Santa Teresa Modernization</td>
<td>929,412</td>
<td>Jun-10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 7,299,143</strong></td>
<td></td>
</tr>
</tbody>
</table>

6
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the 2002 Measure G General Obligation Bond Fund (the Fund), of the
East Side Union High School District as of and for the year ended June 30, 2010 and have issued our report
thereon dated February 15, 2011. We conducted our audit in accordance with auditing standards generally
accepted in the United States of America and the standards applicable to financial audits contained in Government
Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Side Union High School District's internal control over
financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on
the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Side
Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion
on the effectiveness of the East Side Union High School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or
employees, in the normal course of performing their assigned functions, to prevent, or detect and correct
misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal
control such that there is a reasonable possibility that a material misstatement of the entity's financial statements
will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first
paragraph of this section and was not designed to identify all deficiencies in internal control over financial
reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any
deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined
above.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Side Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrincek, Trine, Day & Co. LLP

Palo Alto, California
February 15, 2011