

EAST SIDE UNION HIGH SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
2008 MEASURE E
GENERAL OBLIGATION BOND FUND
JUNE 30, 2009**

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 2008 Measure E General Obligation Bond Fund (the Fund), of the East Side Union High School District, as of June 30, 2009, and the related statement of revenues, expenditures and changes in fund balance for the year ended June 30, 2009. 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, 2009, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Palo Alto, California
January 15, 2009

EAST SIDE UNION HIGH SCHOOL DISTRICT

**2008 MEASURE E GENERAL OBLIGATION BOND FUND
BALANCE SHEET
JUNE 30, 2009**

ASSETS

Cash and investments	\$ 28,535,686
Accounts receivable	118,194
Total Assets	<u>\$ 28,653,880</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ 58,718</u>
------------------	------------------

FUND BALANCE

Fund balances	
Undesignated	<u>28,595,162</u>
Total Liabilities and Fund Equity	<u>\$ 28,653,880</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**2008 MEASURE E GENERAL OBLIGATION BOND FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

REVENUES AND OTHER SOURCES	
Net proceeds from issuance of bonds	\$ 50,000,000
Interest	978,196
Total Revenues	<u>50,978,196</u>
EXPENDITURES	
Current Expenditures	
Classified salaries	8,370
Employee benefits	957
Supplies	231,589
Services and operating expenditures	830,248
Capital outlay	21,311,870
Total Expenditures	<u>22,383,034</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,595,162
FUND BALANCE, JULY 1, 2008	-
FUND BALANCE, JUNE 30, 2009	<u>\$ 28,595,162</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

2008 MEASURE E GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 2008 Measure E 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 2008 Measure E General Obligation Bond Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure E Bond Election of 2008. 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 \$349,000,000. The first series of bonds, Series A, in the amount of \$50,000,000 was sold on June 12, 2008.

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

2008 MEASURE E GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009 had reported and fair values as follows:

	Reported Amount	Fair Value
Deposits with county treasurer	<u>\$ 28,535,686</u>	<u>\$ 28,645,548</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Interest at June 30, 2009 consisted of interest receivable of \$118,194.

NOTE 4 – ACCOUNTS PAYABLE

Payables at June 30, 2009 consisted of vendor payables of \$58,718.

NOTE 5 – GENERAL LONG-TERM DEBT

The general obligation bonds of the District including Measure E bonds are outstanding as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	<u>\$ 502,045,415</u>	<u>\$ 21,123,083</u>	<u>\$ 10,665,000</u>	<u>\$ 512,503,498</u>	<u>\$ 11,615,000</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

2008 MEASURE E GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

The bonds including Measure E bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 13,069,566	\$ 20,142,059	\$ 33,211,625
2011	14,110,390	19,742,678	33,853,068
2012	14,778,582	19,864,729	34,643,311
2013	15,575,877	20,680,385	36,256,262
2014	16,025,000	18,939,067	34,964,067
2015-2019	99,815,954	89,889,317	189,705,271
2020-2024	136,484,919	73,499,856	209,984,775
2025-2029	122,154,048	57,198,202	179,352,250
2030-2034	47,452,347	36,910,953	84,363,300
2035-2039	19,930,000	2,476,870	22,406,870
subtotal	<u>499,396,683</u>	<u>\$ 359,344,116</u>	<u>\$ 858,740,799</u>
Accretions to date	13,106,815		
Total	<u>\$ 512,503,498</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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**2008 MEASURE E GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 – CONSTRUCTION COMMITMENTS

As of June 30, 2009, the following were commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Program Management Fees - All Sites	\$ 15,308,653	Jun-13
Andrew Hill Modernization	335,535	Jun-12
EC Information Upgrades	2,108	Jun-10
EV Modernization	305,149	Jun-12
Foothill Modernization	421,385	Jun-12
James Lick Modernization	2,368,487	Jun-12
Independence Modernization	290,757	Jun-12
Mount Pleasant Modernization	4,775,744	Jun-10
Oak Grove Modernization	675,578	Jun-10
Overfelt & Independence Modernization	1,653,199	Jun-10
PH Modernization	1,492,853	Jun-10
Silver Creek Modernization	2,076,069	Jun-10
W.C. Overfelt Modernization	1,175,203	Jun-12
Yerba Buena Modernization	1,837,272	Jun-12
Santa Teresa Modernization	841,119	Jun-12
	<u>33,559,111</u>	