

**EAST SIDE UNION
HIGH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2008**

**EAST SIDE UNION HIGH SCHOOL DISTRICT
OF SANTA CLARA COUNTY
SAN JOSE, CALIFORNIA
JUNE 30, 2008**

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EAST SIDE UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
East Side Union High School District
San Jose, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Side Union High School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Side Union High School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 December 19, 2008, on our consideration of the 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.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 and GASB Statement No. 43 for the year ended June 30, 2008.

The required supplementary information, such as management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 52 and the schedule of funding progress on page 53 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavreck, Trine, Day & Co. LLP

Palo Alto, California
December 19, 2008

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

This section of East Side Union High School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follows this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The Governmental Funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

The Proprietary Funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Fiduciary Funds are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the East Side Union High School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The following major financial highlights of the current year are:

- The enrollment reported in the 2007-08 California Basic Educational Data System (CBEDS) for the District is 25,304 and P2 ADA is 23,660.
- The District received a total increase of 4.53% COLA for the General Fund revenue limit.
- The District received \$501,844 less than the amount received in fiscal year 2006-07 for Title I funding and NCLB Program Improvement.
- The District received one-time money of \$1.35 million from Microsoft Voucher Settlements.
- The District reduced the number of participants in the Class Size Reduction program and thus revenue decreased by \$1.08 million.
- Special Education SELPA revenue dropped by \$575,252.
- Transportation Fees from other districts was down by \$411,194.
- The District implemented the Read 180 program to improve reading levels.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

- The District employed 1,279.18 FTE Certificated Union employees; 599.92 FTE Classified Union employees and 76.50 FTE Administrative/Management employees paid by the General Fund.
- All employees had a 2.53% salary increase and an average of 5.3% increase in medical benefits.
- The District Measures A and G had completed the following projects in 2007-08:
 - 1 – Foothill – New Landscape Streetscape - \$400,000
Reconstruct Building. D Library – \$200,000
 - 2 – Andrew Hill – New Classroom Building. C/ Child Care Center Building. R - \$24,500,000
 - 3 – James Lick – Modernization Building. 1200 Gymnasium – \$5,800,000
Modernization Building. 900 Nutritional Services – \$1,300,000
Stadium Lighting -\$770,000
New Ticket Booth - \$175,000
 - 4 – Mount Pleasant –New Theater Building - \$16,000,000
 - 5 – Oak Grove New Concession Stand - \$ 910,000
Oak Grove – New Classroom Building. - \$1,700,000
 - 6 – Silver Creek – New Science & Classroom Building/Landscape Streetscape - \$ 14,000,000
 - 7 – Yerba Buena – New Ticket Booth – \$140,000
 - 8 – Independence – Upgrade Fire Alarm -\$ 3,000,000
Remove Multiple Building Asbestos Abatement -\$265,000
Modernize Multiple Building Roofing/Painting \$3,000,000
New Restroom Facilities Modular - \$223,000
Replace Stadium Fence - \$472,000
Modernize Vocational Education - \$4,300,000
 - 9 – Santa Teresa – Modernize Multiple Buildings HVAC System Phase II - \$1,785,000
 - 10 – Evergreen Valley – New Classroom Building - \$12,000,000 million
- Several capital projects have been planned for the 2008-2009 and 2009-2010 years. The District anticipates capital additions to be approximately \$91 million for the two upcoming years.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

In the Statement of Net Assets and the Statement of Activities, we separate the District activities as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of nine through twelve grade students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

Business-type activities - The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. and State Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$69.4 million and \$58.3 million for the fiscal years ended June 30, 2008 and 2007. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limits the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 265,437,768	\$ 264,924,389	\$ 148,146	\$ 103,803
Prepays for OPEB	20,407,246	-	-	-
Capital assets	378,772,318	328,751,886	163,991	193,897
Total Assets	664,617,332	593,676,275	312,137	297,700
Current liabilities	46,883,583	65,027,175	312,137	297,701
Long-term debt	548,329,454	470,273,252	-	-
Total Liabilities	595,213,037	535,300,427	312,137	1,422,725
Net assets				
Invested in capital assets, net of related debt	17,305,497	4,124,022	163,991	193,897
Restricted	41,236,729	40,485,832	99,131	200,882
Unrestricted	10,862,069	13,765,994	(263,122)	(394,780)
Total Net Assets	\$ 69,404,295	\$ 58,375,848	\$ -	\$ (1)

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities in the audited financial statements. Table 2 takes the information from the Statement and rearranges it slightly so you can see our total revenues for the year.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Table 2

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues				
Program revenues				
Charges for services	\$ 845,454	\$ 1,218,039	\$ 3,008,983	\$ 2,775,357
Operating grants and contributions	63,306,874	67,018,477	3,275,006	2,776,200
Capital grants and contributions	10,580,843	691,850	-	-
General revenues:				
State and federal sources	81,256,842	89,978,862	-	-
Taxes	118,240,762	111,014,227	-	-
Other general revenues	14,046,883	20,830,460	255,860	184,853
Total Revenues	288,277,658	290,751,915	6,539,849	5,736,410
Expenses				
Instruction related	182,088,429	176,272,258	-	-
Student support services	24,441,656	23,470,391	-	-
Administration	13,704,730	12,071,912	-	-
Maintenance and operations	28,325,312	26,734,851	-	-
Other outgo	4,679,698	9,564,105	-	-
Interest and other	24,009,386	26,035,329	6,539,849	5,736,411
Total Expenses	277,249,211	274,148,846	6,539,849	5,736,411
Change in Net Assets	\$ 11,028,447	\$ 16,603,069	\$ -	\$ (1)

Governmental Activities

As reported in the Statement of Activities in the audited financial statements, the cost of all of our governmental activities this year was \$277.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other unrestricted revenues was only \$202.5 million because the cost was paid by those who benefited from the programs (\$0.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$63.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$118.2 million in taxes, and the remaining in State and Federal funds and with other revenues, like interest and general entitlements.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

In Table 3, we have presented the net cost of each of the District's six largest functions - regular program instruction and instruction related services, pupil services, maintenance and operations, administration and interest and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	2008	2007
Instruction and related services	\$ 123,839,067	\$ 125,235,304
Pupil services	15,079,629	13,358,270
General administration	12,582,263	9,835,073
Maintenance and operations	26,495,620	25,143,040
Interest	24,009,386	22,287,100
Other	510,075	9,361,693
Totals	\$ 202,516,040	\$ 205,220,480

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$214.3 million, which was a decrease of \$0.8 million from last year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2008. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report).

- The General Fund is the principal operating fund; District received a total increase of \$3.19 million that includes 4.53% COLA.
- Summer School Core and Remedial revenues were funded through State apportionment instead of revenue limit for the first year.
- Excluding the general reserve, general fund unrestricted fund balance decreased by \$1.1 million and restricted balances decreased by \$2.27 million.
- The District received \$501,844 less for Title I funding and NCLB Program Improvement.
- The District received one-time money of \$1.35 million from Microsoft Voucher Settlements.
- Special Education SELPA revenue decreased by \$575,252.
- Transportation Fee from other districts decreased by \$411,194.
- The District implemented the Read 180 program to improve reading levels.
- The District reduced the number of participants in the Class Size Reduction program and thus revenue decreased by \$1.08 million.
- The District had 1,279.18 FTE Certificated Union employees; 599.92 FTE Classified Union employees and 76.50 FTE Administrative/Management employees paid by the General Fund.
- All employees had a 2.53% salary increase and an average of 5.3% increase in medical benefits.
- The District paid the last payment of \$696,284 for the retiree annuities.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had \$378.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$50 million, or 15.21 percent, from last year.

Table 4

	Governmental Activities		Business Activities	
	2008	2007	2008	2007
Land	\$ 5,327,942	\$ 5,206,087	\$ -	\$ -
Construction in progress	87,150,741	100,096,594	-	-
Buildings and improvements	359,975,562	293,221,067	-	-
Furniture and Equipment	13,233,282	12,581,248	505,422	505,422
Total Assets	465,687,527	411,104,996	505,422	505,422
Less Accumulated Depreciation	86,915,209	82,353,110	341,431	311,525
Totals	\$ 378,772,318	\$ 328,751,886	\$ 163,991	\$ 193,897

Several capital projects are planned for the 2008-2009 and 2009-2010 years. We anticipate capital additions to be approximately \$50 million for the two years.

The following Measures A and G projects are planned for fiscal year 2008-09:

1. Andrew Hill - Modernize nutritional services building - \$643,000
- 2 - Apollo - New modular classrooms - \$616,000
- 4 - Foothill - New modular classrooms - \$700,000
New streetscape - \$400,000
- 5 - Independence - New roofing and exterior painting - \$2,800,000
Modernize HVAC multiple buildings - \$3,600,000
Modernize vocational education - \$2,800,000
- 6 - James Lick - New restroom building - \$535,000
Modernize restrooms - \$623,000
- 8 - Piedmont Hills - Modernize restrooms - \$837,000
- 9 - Yerba Buena - Modernize nutritional services building - \$1,000,000
Modernize vocational education - \$5,050,000
Modernize restroom buildings - \$882,000
- 10 - W C Overfelt - New science building - \$14,000,000
Modernize nutritional services - \$1,243,000

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The following Measures A and G projects are planned for fiscal year 2009-10:

1 – Foothill –	New science building - \$2,900,000
2 – James Lick –	New childcare center - \$4,000,000
3 – Santa Teresa –	Modernize theater building - \$7,800,000

Long-Term Obligations

- At the end of this year, tax payers voted for Measure “E” Bonds and the District sold \$50 million of General Obligation bonds in June 2008. The District will use \$20 million of the bond proceeds to buy an additional school site and for improvements at other school sites according to the academic master plan.
- The District paid the last payment of \$696,282 for the long term retiree annuities.

Table 5

	2008	2007
	Governmental	Governmental
	Activities	Activities
General obligation bonds	\$ 502,045,415	\$ 439,941,713
Premium	12,882,249	11,789,542
Defeasance costs	(2,341,937)	(2,235,738)
OPEB revenue bond	32,050,000	32,050,000
Capital Leases	778,980	1,065,451
Retiree Incentive	-	696,282
Accumulated vacation - net	2,914,747	3,261,122
Totals	\$ 548,329,454	\$ 486,568,372

The District's general obligation bond rating is "A+." The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of \$502 million is below the statutorily imposed limit.

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-2008 ARE NOTED BELOW:

The District completed several projects in fiscal year 2008 such as the new classrooms project in Silver Creek, W.C. Overfelt, Evergreen Valley, James Lick, Independence, Piedmont Hills, Oak Grove, Santa Teresa and Yerba Buena modernization projects.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2008-2009 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. The State increased revenue limit COLA by 5.66% with a 4.71% deficit factor.
2. The District might not issue any TRANs (Tax and Revenue Anticipation Notes) due to financial market uncertainties.
3. The District plans a reduction of 16 certificated FTEs, 23 classified FTEs and 10 administrative and managerial FTEs to balance the budget.
4. The total state ongoing categorical revenue is projected at a 6.5% reduction from the prior year.
5. Special Education SELPA revenue projects to decrease by \$730,000.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades nine through twelve	30:1	25,060

The new items specifically addressed in the budget are:

The District enrollment decreases 244 by comparing CBEDS count from the previous year; however, the district is allowed to use the ADA from the previous year to calculate the general fund revenue limit for 2008/09 with a 5.66% COLA and a 4.71% deficit factor. The budget provides zero COLA for salary increase and an average of 5.0% increase for medical benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Financial Officer, Business Services, at East Side Union High School District, 830 North Capitol Avenue, San Jose, California.

EAST SIDE UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2008

Assets	Governmental Activities	Business-type Activities	Total
Deposits and investments	\$ 234,172,594	\$ 100	\$ 234,172,694
Receivables	21,609,410	1,144,895	22,754,305
Internal balances	1,095,980	(1,095,980)	-
Deferred charges	6,544,695	-	6,544,695
Prepaid expenses	780,962	-	780,962
Stores inventories	202,147	99,131	301,278
Other current assets	1,031,980	-	1,031,980
Prepaid post-employment benefits	20,407,246	-	20,407,246
Capital assets not depreciated	92,478,683	-	92,478,683
Capital assets, net of accumulated depreciation	286,293,635	163,991	286,457,626
Total assets	\$ 664,617,332	\$ 312,137	\$ 664,929,469
Liabilities			
Overdrafts	\$ 227,804	\$ 303,970	\$ 531,774
Accounts payable	32,331,300	8,167	32,339,467
Deferred revenue	2,253,312	-	2,253,312
Claim liability	1,071,167	-	1,071,167
Current loans	11,000,000	-	11,000,000
Current portion of long-term obligations	11,978,457	-	11,978,457
Noncurrent portion of long-term obligations	536,350,997	-	536,350,997
Total liabilities	595,213,037	312,137	595,525,174
Net Assets			
Invested in capital assets, net of related debt	17,305,497	163,991	17,469,488
Restricted for:			
Legally restricted	17,827,772	99,131	17,926,903
Debt service	11,552,580	-	11,552,580
Special revenue	1,874,343	-	1,874,343
Capital projects	6,678,026	-	6,678,026
Self Insurance	3,304,008	-	3,304,008
Unrestricted	10,862,069	(263,122)	10,598,947
Total net assets	\$ 69,404,295	\$ -	\$ 69,404,295

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$146,364,419	\$ 148,176	\$ 32,194,070	\$ 10,580,843
Instruction related activities:				
Supervision of instruction	15,186,251	8,552	10,848,091	-
Instructional library, media and technology	2,824,927	-	118,873	-
School site administration	17,712,832	43,475	4,307,282	-
Pupil services:				
Home-to-school transportation	4,729,295	612,674	1,916,243	-
Food services	173,375	-	37,586	-
All other pupil services	19,538,986	4,380	6,791,144	-
General administration:				
Data processing	3,338,993	-	80,971	-
All other general administration	10,365,737	17,105	1,024,391	-
Plant services	25,723,297	10,789	1,804,948	-
Ancillary services	2,433,930	-	13,955	-
Community services	168,085	-	-	-
Interest on long-term obligations	24,009,386	-	-	-
Other outgo	4,679,698	303	4,169,320	-
Total governmental-type activities	277,249,211	845,454	63,306,874	10,580,843
Business-type activities				
Food services	6,539,849	3,008,983	3,275,006	-
Total District	\$283,789,060	\$ 3,854,437	\$ 66,581,880	\$ 10,580,843
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Miscellaneous				
Subtotal, general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

**Net (Expenses) Revenues and
Changes in Net Assets**

Governmental Activities	Business- Type Activities	Total
\$ (103,441,330)	\$ -	\$ (103,441,330)
(4,329,608)	-	(4,329,608)
(2,706,054)	-	(2,706,054)
(13,362,075)	-	(13,362,075)
(2,200,378)	-	(2,200,378)
(135,789)	-	(135,789)
(12,743,462)	-	(12,743,462)
(3,258,022)	-	(3,258,022)
(9,324,241)	-	(9,324,241)
(23,907,560)	-	(23,907,560)
(2,419,975)	-	(2,419,975)
(168,085)	-	(168,085)
(24,009,386)	-	(24,009,386)
(510,075)	-	(510,075)
<u>(202,516,040)</u>	<u>-</u>	<u>(202,516,040)</u>
-	(255,860)	(255,860)
<u>(202,516,040)</u>	<u>(255,860)</u>	<u>(202,771,900)</u>
90,244,983	-	90,244,983
27,987,562	-	27,987,562
8,217	-	8,217
81,256,842	-	81,256,842
8,986,584	-	8,986,584
5,060,299	255,860	5,316,159
<u>213,544,487</u>	<u>255,860</u>	<u>213,800,347</u>
11,028,447	-	11,028,447
58,375,848	-	58,375,848
<u>\$ 69,404,295</u>	<u>\$ -</u>	<u>\$ 69,404,295</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008**

	General Fund	Building Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 35,896,588	\$ 137,383,673	\$ 57,560,838	\$ 230,841,099
Receivables	17,048,892	843,390	3,391,880	21,284,162
Due from other funds	1,095,980	-	-	1,095,980
Stores inventories	202,147	-	-	202,147
Total assets	\$ 54,243,607	\$ 138,227,063	\$ 60,952,718	\$ 253,423,388
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdrafts	\$ -	\$ -	\$ 227,804	\$ 227,804
Accounts payable	21,150,933	2,599,843	1,839,958	25,590,734
Current loans	11,000,000	-	-	11,000,000
Deferred revenue	2,029,619	-	223,693	2,253,312
Total liabilities	34,180,552	2,599,843	2,291,455	39,071,850
Fund Balances:				
Reserved for:				
Legally restricted balances	10,297,468	-	-	10,297,468
Other reservations	204,647	-	-	204,647
Unreserved:				
Designated	-	10,401,585	-	10,401,585
Undesignated, reported in:				
General fund	9,560,940	-	-	9,560,940
Special revenue funds	-	-	17,420,655	17,420,655
Debt service funds	-	-	18,291,916	18,291,916
Capital projects funds	-	125,225,635	22,948,692	148,174,327
Total fund balance	20,063,055	135,627,220	58,661,263	214,351,538
Total Liabilities and Fund Balances	\$ 54,243,607	\$ 138,227,063	\$ 60,952,718	\$ 253,423,388

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance - Governmental Funds	\$ 214,351,538
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>	
The cost of capital assets is	\$465,687,527
Accumulated depreciation is	<u>(86,915,209)</u> 378,772,318
<p>In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payment received in the current year reduces the receivable amount.</p>	
	312,318
<p>Debt issuance costs are expensed in the governmental funds. On the government-wide statements, they are deferred and amortized over the life of the related debt.</p>	
	6,544,695
<p>In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.</p>	
	(6,739,336)
<p>Excess contributions over the annual required contribution (ARC) to the other post-employment benefit trust are recognized as a prepaid in the government-wide statements. On the governmental funds, the contribution are treated as expenditures.</p>	
	20,407,246
<p>An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.</p>	
	4,084,970
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>	
<p>Long-term liabilities at year end consist of:</p>	
Bonds payable	502,045,415
Defeasance Cost	(2,341,937)
Premium	12,882,249
OPEB revenue bond	32,050,000
Capital leases payable	778,980
Compensated absences (vacations)	<u>2,914,747</u> (548,329,454)
Total Net Assets - Governmental Activities	\$ <u>69,404,295</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 158,864,233	\$ -	\$ 7,427,735	\$ 166,291,968
Federal sources	11,683,502	-	744,386	12,427,888
Other state sources	44,208,809	-	14,177,874	58,386,683
Other local sources	12,259,339	5,426,703	32,454,993	50,141,035
Total Revenues	227,015,883	5,426,703	54,804,988	287,247,574
EXPENDITURES				
Instruction	137,479,383	-	6,840,400	144,319,783
Instruction related activities:				
Supervision of instruction	14,214,493	-	675,783	14,890,276
Instructional library, media and technology	2,768,006	-	-	2,768,006
School site administration	14,782,649	-	2,711,301	17,493,950
Pupil Services:				
Home-to school transportation	4,807,794	-	-	4,807,794
Food services	28,101	-	18,851	46,952
All other pupil services	18,966,651	-	210,350	19,177,001
General administration:				
Data processing	3,274,653	-	-	3,274,653
All other general administration	10,507,026	-	218,098	10,725,124
Plant services	21,358,526	-	2,450,595	23,809,121
Facility acquisition and construction	-	54,038,724	2,462,517	56,501,241
Ancillary services	2,384,749	-	-	2,384,749
Community services	164,689	-	-	164,689
Other outgo	4,679,697	-	-	4,679,697
Debt service				
Principal	-	-	11,690,000	11,690,000
Interest and other	2,211,484	2,466,976	17,961,994	22,640,454
Total Expenditures	237,627,901	56,505,700	45,239,889	339,373,490
Excess (deficiency) of revenues over expenditures	(10,612,018)	(51,078,997)	9,565,099	(52,125,916)
Other Financing Sources (Uses):				
Transfers in	9,030,167	-	13,199,245	22,229,412
Other sources	-	81,790,569	1,499,547	83,290,116
Transfers out	(1,917,748)	(3,800,000)	(36,917,524)	(42,635,272)
Other uses	-	(11,521,354)	-	(11,521,354)
Net Financing Sources (Uses)	7,112,419	66,469,215	(22,218,732)	51,362,902
NET CHANGE IN FUND BALANCES	(3,499,599)	15,390,218	(12,653,633)	(763,014)
Fund Balance - Beginning	23,562,654	120,237,002	71,314,896	215,114,552
Fund Balance - Ending	\$ 20,063,055	\$ 135,627,220	\$ 58,661,263	\$ 214,351,538

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds	\$ (763,014)
Amounts Reported for Governmental Activities in the Statement of Activities are Different	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.	
This is the amount by which capital outlays exceed depreciation in the period.	
Capital Outlays	\$ 54,582,531
Depreciation expense	<u>(4,562,099)</u> 50,020,432
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
Vacation used was more than the amounts earned by \$346,375.	346,375
Bond defeasance cost is recorded as an expenditure in the governmental funds but is capitalized on the statement of net assets and amortized over the life of the bond.	
Amortization of bond defeasance cost is not recognized in the governmental funds. In the government-wide statements, it is capitalized and amortized over the life of the related bond.	251,353
Proceeds received from the sale of bonds are revenue sources in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(145,154)
Bond issuance costs paid for the issuance of bonds are expenditures in the governmental funds, but they are capitalized as a deferred charge in the statement of net assets and amortized over the life of the bond in the statement of activities.	(81,542,739)
Bond premium proceeds received from issuance of bonds are a revenue source in the governmental funds, but they increase long-term liabilities in the statement of net assets and do not affect the statement of activities.	1,771,024
Amortization of premiums of the bonds is not a revenue source in the governmental funds, but is reflected as a revenue in the statement of activities.	(1,747,378)
Amortization of debt issuance cost is not recognized in the governmental funds. In the government-wide statements, it is capitalized and amortized over the life of the related bond.	654,671
In the governmental funds, the receipt of the special education settlement is reported as revenue in the year received. On the statement of net assets, the amount is recorded as a receivable and payment received in the current year reduces the receivable amount.	(318,630)
	(103,908)

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued) FOR THE YEAR ENDED JUNE 30, 2008

Accretion of interest on capital appreciation bonds is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds.		(3,520,963)
An excess contribution over the annual required contribution (ARC) to the other post-employment benefit plan is recognized as plan assets in the government-wide statements. On the governmental funds, the contribution is treated as expenses.		20,407,246
Repayment of the long-term debt is an expenditures in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. Debt repayment for the year were as follows:		
General Obligation Bonds	22,960,000	
Capital Leases	286,471	
Retiree Incentive	<u>696,282</u>	23,942,753
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of these two factors.		844,792
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds.		
The net gain of the internal service fund is reported with the government-wide activities.		<u>931,587</u>
Change in Net Assets - Government-Wide Activities		<u>\$ 11,028,447</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2008**

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 100	\$ 3,331,495
Receivables	1,144,895	12,930
Prepaid expenses	-	780,962
Stores inventories	99,131	-
Other current assets	-	1,031,980
Total Current Assets	<u>1,244,126</u>	<u>5,157,367</u>
Noncurrent Assets		
Furniture and equipment (net)	163,991	-
Total Assets	<u>1,408,117</u>	<u>5,157,367</u>
LIABILITIES		
Current Liabilities		
Overdrafts	303,970	-
Accounts payable	8,167	1,230
Due to other funds	1,095,980	-
Claim Liabilities	-	1,071,167
Total Current Liabilities	<u>1,408,117</u>	<u>1,072,397</u>
NET ASSETS		
Invested in capital assets, net of related debt	163,991	-
Restricted	99,131	780,962
Unrestricted	(263,122)	3,304,008
Total Net Assets	<u>\$ -</u>	<u>\$ 4,084,970</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Federal grants	\$ 2,725,037	\$ -
State grants	255,542	-
Sales	3,008,983	-
Indistrict contributions	-	3,598,780
Other local revenue	294,420	735,181
Total Operating Revenues	6,283,982	4,333,961
OPERATING EXPENSES		
Payroll costs	3,778,473	828
Supplies and materials	2,435,733	127,249
Equipment rental	26,040	3,279
Claims	-	3,378,683
Other operating cost	299,602	42,335
Total Operating Expenses	6,539,848	3,552,374
Operating Income (Loss)	(255,866)	781,587
NONOPERATING REVENUES (EXPENSES)		
Interest income	7	-
Transfers In	255,860	150,000
Total Nonoperating Revenues	255,867	150,000
Change in net assets	1	931,587
Total Net Assets - Beginning	(1)	3,153,383
Total Net Assets - Ending	\$ -	\$ 4,084,970

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business- Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 6,166,932	\$ 2,689,616
Cash payments to employees for services	(3,799,350)	-
Cash payments for insurance claims	-	(3,372,193)
Cash payments to suppliers for goods and services	(2,629,718)	(59,937)
Net Cash (Used) For Operating Activities	<u>(262,136)</u>	<u>(742,514)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer in	255,860	150,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	7	-
Net decrease in cash and cash equivalents	(6,269)	(592,514)
Cash and cash equivalents - Beginning	(297,601)	3,924,009
Cash and cash equivalents - Ending	<u>\$ (303,870)</u>	<u>\$ 3,331,495</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	\$ (255,866)	\$ 781,587
Adjustments to reconcile operating income (loss) to net cash (used) for operating activities:		
Depreciation	29,906	-
Changes in assets and liabilities:		
Receivables	(117,050)	(11,488)
Inventories	101,751	-
Prepaid expense	-	(1,632,857)
Account Payable	8,167	120,244
Due to other fund	(29,044)	-
NET CASH (USED) FOR OPERATING ACTIVITIES	<u>\$ (262,136)</u>	<u>\$ (742,514)</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2008**

	<u>Retiree Benefits</u>	<u>Scholarships</u>	<u>Student Bodies</u>
ASSETS			
Deposits and investments	\$ 19,019,967	\$ 88,532	\$ 2,704,898
Total assets	<u>\$ 19,019,967</u>	<u>\$ 88,532</u>	<u>\$ 2,704,898</u>
LIABILITIES			
Due to student groups	\$ -	\$ -	\$ 2,704,898
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 2,704,898</u>
NET ASSETS			
Unreserved	19,019,967	88,532	
Total Net Assets	<u>\$ 19,019,967</u>	<u>\$ 88,532</u>	

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Retiree Benefits</u>	<u>Scholarships</u>
ADDITIONS		
Transfers In	\$ 20,000,000	\$ -
DEDUCTIONS		
Operating expenditure	14,625	-
Loss on investment	965,408	
Scholarships awarded	-	5,325
Total Deductions	<u>980,033</u>	<u>5,325</u>
Change in Net Assets	19,019,967	(5,325)
Net Assets - Beginning	-	93,857
Net Assets - Ending	<u>\$ 19,019,967</u>	<u>\$ 88,532</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 -12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 2 adult education sites, 3 independent study programs, and 5 continuation schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

Other Related Entities

Joint Powers Agencies and Public Entity Risk Pools The District is associated with three public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. These organizations are:

Metropolitan Education District

Northern California Regional Liability Excess Fund JPA (Nor-Cal ReLiEF)

Santa Clara County Schools Insurance Group (SCCSIG)

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

Special Reserve Fund for Postemployment Benefits The Special Reserve Fund for Postemployment Benefits may be used pursuant to *Education Code* Section 42840 to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.

Debt Service Funds The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

Debt Service Fund The Debt Service Fund is used to account for the interest and redemption of principal of the revenue bonds issued to finance the post-employment benefits.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* sections 15125-15262).

Capital Projects Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

State School Building Lease-Purchase Fund The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Food Service Operations of the District.

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a dental and vision insurance program that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The District operates trust and agency fund types. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB). Trust funds are used to account for the assets held by the District under a trust agreement for individuals and therefore not available to support the District's own programs. The District's trust fund is the Student Scholarship Fund and Retiree Benefit Trust Fund.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service and food service funds are presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and governmental funds statements.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be

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both measurable and available at fiscal year end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

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Stores Inventories

Inventories consist of expendable food and supplies held for consumption and unused donated commodities. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. In general, capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; and equipment, 2 to 10 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

Deferred Issuance Costs, Premiums, Discounts and Defeasance Costs

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs and defeasance costs are deferred and amortized over the life of the bonds using the straight line method.

Current Loans

Current loans consist of amounts outstanding at June 30, 2008, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food service sales and in district contributions to the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments by the State for PERS have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In July 2004, GASB issued GASBS No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008. The District had an annual required contribution of \$3,371,576 for the year ended June 30, 2008, and made a contribution of \$23,778,822 resulting in an OPEB asset of \$20,407,246.

New Accounting Pronouncements

GASB Statement No. 48 – In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement was effective for June 30, 2008. This statement did not have an impact on the District's financial statement.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

GASB Statement No. 49 – In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. Adoption of this pronouncement is not anticipated to have an impact on the financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is not effective until June 30, 2008. This statement did not have an impact on the District's financial statements because the CalSTRS and CalPERS are separately operated and reported for by them.

GASB Statement No. 51 – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. Adoption of this pronouncement is not anticipated to have an impact on the financial statements.

GASB Statement No. 52 – In November 2007, GASB issued GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged. Adoption of this pronouncement is not anticipated to have an impact on the financial statements.

GASB Statement No. 53 – In June 2008, GASB issued GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. Adoption of this pronouncement is not anticipated to have an impact on the financial statements.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 230,841,099
Proprietary	3,331,595
Fiduciary funds	21,813,397
Overdraft	(531,774)
Total Deposits and Investments	<u>\$ 255,454,317</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 4,228,827
Cash in revolving	2,600
Investments	251,754,664
Overdraft	(531,774)
Total Deposits and Investments	<u>\$ 255,454,317</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

General Authorizations

Limitations as they relate to interest risk and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing by investing in the county pool and other investment pools and purchasing a combination of shorter term and longer term investments.

Investment Type	Cost	Fair Value	Weighted Average Maturity in Years
Treasury Notes	\$ 8,288,002	\$ 8,288,002	4.03
Mutual Funds	26,235,361	26,310,546	0.00
County Pool	216,096,370	216,548,011	1.13
Certificate Deposits	603,157	603,157	0.50
Total	\$ 251,222,890	\$ 251,749,716	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy and the actual rating as of the year-end for each investment type.

Investment Type	Cost	Fair Value	Minimum Legal Rating	Rating as of Year End
Treasury Notes	\$ 8,288,002	\$ 8,288,002	None	Not rated
Mutual Funds	26,235,361	26,310,546	None	Not rated
County Pool	216,096,370	216,548,011	None	Not rated
Certificate Deposit	603,157	603,157	None	Not rated
Total	\$ 251,222,890	\$ 251,749,716		

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance of \$2,589,191 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Building	Nonmajor Funds	Total	Proprietary
Federal Government					
Categorical aid	\$ 3,588,247	\$ -	\$ 150,195	\$ 3,738,442	\$ 803,006
State Government					
Apportionment	4,731,457	-	2,418,526	7,149,983	-
Categorical aid	3,917,794	-	-	3,917,794	102,000
Lottery	1,545,706	-	89,006	1,634,712	-
Interest	230,382	840,889	405,903	1,477,174	-
Other Local Sources	3,035,306	2,501	328,250	3,366,057	252,819
Total	<u>\$ 17,048,892</u>	<u>\$ 843,390</u>	<u>\$ 3,391,880</u>	<u>\$ 21,284,162</u>	<u>\$ 1,157,825</u>

The District also had \$312,318 in mandated special education long-term receivables recorded in the government-wide statements.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 5,206,087	\$ 121,855	\$ -	\$ 5,327,942
Construction in Progress	100,096,594	53,808,642	66,754,495	87,150,741
Total Capital Assets not being depreciated	105,302,681	53,930,497	66,754,495	92,478,683
Capital Assets being depreciated:				
Buildings	279,961,048	65,815,039	-	345,776,087
Site Improvement	13,260,019	939,456	-	14,199,475
Equipment	12,581,248	652,034	-	13,233,282
Total Capital Assets being depreciated	305,802,315	67,406,529	-	373,208,844
Total Capital Assets	411,104,996	121,337,026	66,754,495	465,687,527
Less Accumulated Depreciation:				
Buildings	70,543,777	3,496,267	-	74,040,044
Site Improvement	1,841,185	292,389	-	2,133,574
Equipment	9,968,148	773,443	-	10,741,591
Total Accumulated Depreciation	82,353,110	4,562,099	-	86,915,209
Governmental Activities Capital Assets, Net	<u>\$ 328,751,886</u>	<u>\$ 116,774,927</u>	<u>\$ 66,754,495</u>	<u>\$ 378,772,318</u>
Business-Type Activities				
Furniture and Equipment	\$ 505,422	\$ -	\$ -	\$ 505,422
Less Accumulated Depreciation	311,525	29,906	-	341,431
Business-Type Activities Capital Assets, Net	<u>\$ 193,897</u>	<u>\$ (29,906)</u>	<u>\$ -</u>	<u>\$ 163,991</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities

Instruction	\$ 2,865,359
Supervision of Instruction	307,086
Instructional Library & Media	57,085
School Site Administration	360,783
Home to School Transportation	99,153
Food Services	132,532
All Other Pupil Services	395,493
Anciliary Services	49,181
Community Services	3,396
All General Administration	224,497
Data Processing Services	67,534
Total Depreciation Expenses, Governmental Activities	<u>\$ 4,562,099</u>

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major and nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are as follows:

	Due From	Due To Proprietary Fund
General Fund		\$ 1,095,980

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer Out	Transfer In				Total
	General Fund	Nonmajor Governmental	Proprietary Fund	Trust Fund	
General Fund	\$ -	\$ 1,511,888	\$ 405,860	\$ -	\$ 1,917,748
Building Fund	3,800,000	-	-	-	3,800,000
Nonmajor governmental	5,230,167	11,687,357	-	20,000,000	36,917,524
Total	<u>\$9,030,167</u>	<u>\$ 13,199,245</u>	<u>\$ 405,860</u>	<u>\$ 20,000,000</u>	<u>\$ 42,635,272</u>

The General fund transferred to the Special Reserve - Non Capital fund to fund the 3% State recommended minimum of fund balance.	\$ 100,000
The General fund transferred to the Adult Education fund for the block grant transfer.	123,269
The General fund transferred to Child Development fund for encroachment.	151,206
The General fund transferred to Cafeteria fund for encroachment.	255,860
The General fund transfer to Deferred Maintenance fund for district match.	1,137,413
The General fund transferred to the Self-Insurance fund for the district contribution.	150,000
The Retiree Benefits Special Reserve fund transferred to the General fund for the post-employment benefit payment.	5,230,167
The Building fund transferred to the General fund for routine repair and maintenance reimbursements	3,800,000
The Debt Service fund transferred to the Retiree Benefit Trust fund for post-employment benefit reserves.	20,000,000
The Debt Service fund transferred to Special Reserve Postemployment Benefit fund for post-employment benefit reserves.	11,687,357
Total	<u>\$ 42,635,272</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General	Building	Nonmajor Governmental	Total	Proprietary
Vendor payables	\$ 2,855,318	\$ 2,583,128	\$ 187,554	\$ 5,626,000	\$ 9,397
State apportionment	992,065	-	1,345,200	2,337,265	-
Salaries and benefits	16,862,593	16,715	307,204	17,186,512	-
Interest payable	440,957	-	-	440,957	-
Total	<u>\$21,150,933</u>	<u>\$2,599,843</u>	<u>\$ 1,839,958</u>	<u>\$25,590,734</u>	<u>\$ 9,397</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General	Nonmajor Governmental	Total
Federal financial assistance	\$ 282,174	\$ 29,831	\$ 312,005
State categorical aid	249,250	47,846	297,096
Other local	1,498,195	146,016	1,644,211
Total	<u>\$ 2,029,619</u>	<u>\$ 223,693</u>	<u>\$ 2,253,312</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2007, the District had outstanding Tax and Revenue Anticipation Notes of \$14,000,000, which were paid on October 24, 2007. On October 24, 2007, the District issued \$11,000,000 Tax and Revenue Anticipation Notes bearing interest at 4 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on October 24, 2008. By May 31, 2008, the District had placed 100 percent of principal and interest in the County Treasury investment pool for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 9 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$ 439,941,713	\$ 85,063,702	\$ 22,960,000	\$ 502,045,415	\$ 10,665,000
Premium	11,789,542	1,747,378	654,671	12,882,249	654,671
Defeasance costs	(2,235,738)	(251,353)	(145,154)	(2,341,937)	(145,154)
OPEB revenue bond	32,050,000	-	-	32,050,000	95,000
Capital leases	1,065,451	-	286,471	778,980	208,940
Retiree incentive	696,282	-	696,282	-	-
Accumulated vacation - net	3,261,122	-	346,375	2,914,747	500,000
	<u>\$ 486,568,372</u>	<u>\$ 86,559,727</u>	<u>\$ 24,798,645</u>	<u>\$ 548,329,454</u>	<u>\$ 11,978,457</u>

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2008
Current Interest Bond							
1991B	2011	3.8%-6.8%	\$ 10,000,000	\$ 4,250,000	\$ -	\$ 3,695,000	\$ 555,000
1999 Refunding	2010	3.7%-4.8%	20,900,000	14,145,000	-	8,705,000	5,440,000
2002B	2027	2.5%-5.5%	30,000,000	28,160,000	-	825,000	27,335,000
2003 Refunding	2022	3.0%-4.6%	36,795,000	31,915,000	-	1,525,000	30,390,000
1999C	2024	3.1%-5.0%	24,500,000	23,030,000	-	675,000	22,355,000
2003 Refunding	2025	2.0%-5.3%	97,160,000	85,190,000	-	3,900,000	81,290,000
2002 Series C	2029	4.0%-5.0%	50,000,000	47,840,000	-	1,230,000	46,610,000
2002 Series D	2030	3.5%-5.0%	70,000,000	70,000,000	-	1,695,000	68,305,000
2003 Series F	2036	4.0%-5.0%	50,000,000	50,000,000	-	710,000	49,290,000
2006 Refunding	2036	4.0%-5.25%	42,665,000	42,665,000	-	-	42,665,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	-	11,545,000	-	11,545,000
2008 Series A	2039	4.0%-5.0%	50,000,000	-	50,000,000	-	50,000,000
Sub-Total			<u>493,565,000</u>	<u>397,195,000</u>	<u>61,545,000</u>	<u>22,960,000</u>	<u>435,780,000</u>
Capital Appreciation							
1991 Series F	2011	4.9%	2,999,956	4,158,104	170,581	-	4,328,685
1999 Series A	2025	5.3%-6.5%	25,499,993	4,996,824	327,409	-	5,324,233
2002 Series E	2030	4.2%-5.1%	29,999,529	33,591,785	2,136,389	-	35,728,174
2002 Series G	2032	4.58%-6.95%	19,997,739	-	20,884,323	-	20,884,323
Sub-Total			<u>78,497,217</u>	<u>42,746,713</u>	<u>23,518,702</u>	<u>-</u>	<u>66,265,415</u>
Total General Obligation Bonds			<u>\$ 572,062,217</u>	<u>\$ 439,941,713</u>	<u>\$ 85,063,702</u>	<u>\$ 22,960,000</u>	<u>\$ 502,045,415</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Debt Service Requirements to Maturity

The bonds mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 10,665,000	\$ 16,566,937	\$ 27,231,937
2010	13,019,566	19,531,232	32,550,798
2011	13,985,390	18,990,140	32,975,530
2012	14,603,582	19,103,141	33,706,723
2013	15,350,877	19,911,547	35,262,424
2014-2018	91,242,042	88,669,044	179,911,086
2019-2023	127,852,347	74,329,870	202,182,217
2024-2028	128,119,181	54,625,876	182,745,057
2029-2033	52,133,698	46,961,177	99,094,875
2034-2038	21,990,000	3,501,933	25,491,933
2039	3,100,000	155,000	3,255,000
subtotal	<u>492,061,683</u>	<u>\$ 362,345,897</u>	<u>\$ 854,407,580</u>
Accretion to date	9,983,732		
Total	<u>\$ 502,045,415</u>		

2007 Refunding Bond

On August 6, 2007, the District issued general obligation bonds of \$11,545,000 (par value) with an interest rate ranging from 4.0% to 5.00% to advance refund a portion of the previously issued 1991 series B bond and 1999 refunding bond with an interest rate ranging from 3.8%-6.8% and 3.7 %- 4.8% and the aggregate accreted amount of \$3,440,000 and \$7,830,000, respectively. The new refunding bonds were issued at a premium of \$247,829 and, after paying issuance costs of \$271,476, the net proceeds were \$11,521,353. The total proceeds were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the defeased debt matured. The advance refunding met the requirements of an in-substance debt defeasance and the defeased bonds were removed from the District's Long-Term Obligations in the Governmental-wide statement.

As a result of the advance refunding, the District reduced its total debt service requirements by \$348,999, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$344,040.

Defeased Bonded Debts

The District has defeased various bond issues by creating separate irrevocable trust funds through the years. New debt has been issued and the proceeds have been used to purchase U. S. government securities and placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long Term Obligations. As of June 30, 2008, the total amount of defeased debt outstanding but removed from the Long-Term Obligations is \$181,628,528.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

OPEB (Other Post Employment Benefit) Revenue Bond

The District issued the bonds to refinance the District's obligation to pay certain healthcare and retirement benefits for certain retired District employees and to pay the costs of issuance of the Bonds. The Bonds are not subject to debt limitations of the California Constitution and principal of and interest on the Bonds is payable from any source of legally available funds of the District, including amounts on deposit in the General Fund of the District.

The outstanding general obligation bonded debt is as follows:

<u>Issue Title</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2007</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2008</u>
OPEB Bonds	2036	5.18%-5.32%	\$ 32,050,000	\$ 32,050,000	\$ -	\$ 32,050,000

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 95,000	\$ 1,697,514	\$ 1,792,514
2010	140,000	1,692,593	1,832,593
2011	180,000	1,685,341	1,865,341
2012	230,000	1,676,017	1,906,017
2013	280,000	1,664,103	1,944,103
2014-2018	2,265,000	8,045,716	10,310,716
2019-2023	4,095,000	7,279,888	11,374,888
2024-2028	6,615,000	5,945,898	12,560,898
2029-2033	10,030,000	3,844,498	13,874,498
2034-2036	8,120,000	884,982	9,004,982
Total	\$ 32,050,000	\$ 34,416,550	\$ 66,466,550

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$2,914,747.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Capital Leases

The District's liabilities on lease agreements with options to purchase are summarized below:

	Capital Leases
Balance, July 1, 2007	\$ 1,065,451
Payments	286,471
Balance, June 30, 2008	<u>\$ 778,980</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 251,146
2010	205,881
2011	205,639
2012	205,639
Total	868,305
Less: Amount Representing Interest	89,325
Present Value of Minimum Lease Payments	<u>\$ 778,980</u>

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Building	Nonmajor Governmental	Total
Reserved				
Revolving cash	\$ 2,500	\$ -	\$ -	\$ 2,500
Stores inventory	202,147	-	-	202,147
Restricted programs	10,297,468	-	-	10,297,468
Total Reserved	<u>10,502,115</u>	<u>-</u>	<u>-</u>	<u>10,502,115</u>
Unreserved				
Designated				
Other designation	-	10,401,585	-	10,401,585
Total Designated	<u>-</u>	<u>10,401,585</u>	<u>-</u>	<u>10,401,585</u>
Undesignated	9,560,940	125,225,635	58,661,263	193,447,838
Total Unreserved	<u>9,560,940</u>	<u>135,627,220</u>	<u>58,661,263</u>	<u>203,849,423</u>
Total	<u>\$ 20,063,055</u>	<u>\$ 135,627,220</u>	<u>\$ 58,661,263</u>	<u>\$ 214,351,538</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the East Side Union High School District. The Plan provides medical insurance benefits to eligible retirees. Benefits currently are offered to employees who attain age 55 with at least 20 years of service. For grandfathered employees benefits are offered for lifetime where as under the new plan agreements which cover the majority of the plan beneficiaries, benefits are offered until age 65. Classified employees who retired before July 1, 1994 and other employees who retired before September 1, 1990 receive spousal benefits. Membership of the Plan consists of 529 retirees and beneficiaries currently receiving benefits and 1291 active plan members. The Plan is presented in these financial statements as the Retiree Benefits Trust Fund. Separate financial statements are not prepared for the Trust.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the East Side Teacher Association (ESTA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, ESTA and CSEA. In December 2006, the East Side Union High School District issued a taxable 2006 limited obligation OPEB bond of \$32,050,000 for the purpose of financing the District's obligation to pay certain healthcare and retirement benefits. During the fiscal year 2007-2008, the District transferred the amount of \$20,000,000 to the retiree benefit trust fund and transferred \$11,687,357 to the retiree benefit special reserve fund for payment of current and future postemployment benefits. Accordingly, for fiscal year 2007-08, the District contributed \$23,778,822 to the plan, including the \$20,000,000 irrevocable contribution to the trust and \$3,778,822 that paid current year's premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ (3,371,576)
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	(3,371,576)
Contributions made	23,778,822
Increase in net OPEB asset	20,407,246
Net OPEB asset, beginning of year	-
Net OPEB asset, end of year	<u>\$ 20,407,246</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 was as follows:

Year Ended June 30, 2008	Amount Contributed	Annual Required Contribution	Percentage Contributed	Net OPEB Asset
2008	\$ 23,778,822	\$ 3,371,576	705%	\$ 20,407,246

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2008 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost trend rates ranged from an initial 4 percent to an ultimate rate in line with general inflation (3%). The UAAL is being amortized at a flat dollar amount method. The remaining amortization period at June 30, 2008, was 26 years. The actuarial value of assets was not determined in this actuarial valuation. As of June 30, 2008, the Trust held net assets in the amount of \$19,019,967, all of which were invested with the Self Insured Schools of California (SISC) GASB 45 Trust, in which the majority of the amounts are invested in mutual funds.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2007, the District contracted with Northern California Regional Liability Excess Fund for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Workers' Compensation

For fiscal year 2008, the District participated in the Santa Clara County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Clara County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Clara County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Santa Clara County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Santa Clara County Schools Insurance Group. Participation in the Santa Clara County Schools Insurance Group is limited to districts that can meet the Santa Clara County Schools Insurance Group selection criteria.

Coverage provided by Santa Clara County Schools Insurance Group and Northern California Regional Liability Excess Fund for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Santa Clara County Schools Insurance Group	Workers' Compensation	Statutory limit
<u>Property and Liability Program</u>		
Northern California Regional Liability Excess Fund	Property	\$ 250,000,000
	Liability	\$ 25,000,000

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The Internal Service fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2006 to June 30, 2008:

	Dental & Vision
Liability Balance, June 30, 2006	\$ 1,459,687
Claims and changes in estimates	3,972,226
Claims payments	(4,535,593)
Liability Balance, June 30, 2007	896,320
Claims and changes in estimates	3,378,683
Claims payments	3,203,836
Liability Balance, June 30, 2008	1,071,167
Assets available to pay claims at June 30, 2008	\$ 5,156,137

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$9,834,843, \$9,322,780, and \$8,481,991, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006,

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

were \$3,222,593, \$2,825,791, and \$2,530,064, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,381,771, \$5,098,661 and 4,641,391 (4.517 percent of salaries subject to CalSTRS) for the years ending June 30, 2008, 2007 and 2006, respectively. No contributions were made for CalPERS for the years ended June 30, 2008, 2007 and 2006, respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been recorded in the financial statements, but they are not included in the budgeted revenues and expenditures of the District. These amounts have been excluded from the computation of the available reserves percentage.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of Northern California Regional Liability Excess Fund JPA (Nor-Cal ReLiEF), Santa Clara County Schools Insurance Group (SCCSIG) and Metropolitan Education District (MED). The District pays an annual premium to the North California Regional Liability Excess Fund for its property liability insurance and Santa Clara County Schools Insurance Group for its workers' compensation coverage. In addition, the Metropolitan Education District operates the vocational classes for the District. The relationships among the District, the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member to the governing board of Metropolitan Education District.

During the year ended June 30, 2008, the District made payments of \$1,305,580, \$5,694,833 and 3,911,798 to North California Regional Liability Excess Fund, Santa Clara County Schools Insurance Group and Metropolitan Education District, respectively.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Andrew Hill Modernization	\$ 1,824,758	Jun-09
Foothill Modernization	457,199	Jun-09
Independence Modernization	4,965,469	Jun-09
James Lick Modernization	1,249,231	Jun-09
Mount Pleasant Modernization	51,850	Jun-09
Oak Grove Modernization	206,407	Jun-09
Piedmont Modernization	644,727	Jun-09
Santa Teresa Modernization	7,281,197	Jun-09
Silver Creek Modernization	459,264	Jun-09
W.C. Overfelt Modernization	4,534,661	Jun-09
Yerba Buena Modernization	2,845,997	Jun-09
Evergreen Modernization	331,661	Jun-09
Construction Management Fees - All Sites	6,389,188	Jun-09
Appollo Modular Classrooms	762,101	Jun-09
Overfelt & Independence adult Centers	335,375	Jun-09
Network Equipment	12,428	Jun-09
Hazardous Materials Inspections	8,196	Sep-08
Other Modernization Projects	60,421	Jun-09
Total	<u>\$ 32,420,130</u>	

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Favorable (Unfavorable) Variances
	(GAAP Basis)			Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 157,432,291	\$ 158,865,322	\$ 158,864,233	\$ (1,089)
Federal sources	11,010,725	11,765,765	11,683,502	(82,263)
Other state sources	38,846,876	37,994,090	38,827,038	832,948
Other local sources	10,793,088	11,821,075	12,259,339	438,264
Total Revenues¹	218,082,980	220,446,252	221,634,112	1,187,860
EXPENDITURES				
Instruction	129,103,839	130,870,257	132,097,612	(1,227,355)
Instruction related activities:				
Supervision of instruction	12,109,055	15,953,133	14,214,493	1,738,640
Instructional library, media, and technology	2,902,773	2,748,671	2,768,006	(19,335)
School site administration	15,857,220	13,973,983	14,782,649	(808,666)
Pupil services:				
Home-to-school transportation	4,435,893	4,641,954	4,807,794	(165,840)
Food services	35,037	35,292	28,101	7,191
All other pupil services	19,262,992	19,080,994	18,966,651	114,343
General administration:				
Data processing	3,357,181	3,228,589	3,274,653	(46,064)
All other general administration	10,020,751	12,787,283	10,507,026	2,280,257
Plant services	21,077,409	21,390,914	21,358,526	32,388
Facility acquisition and construction	1,500	-	-	-
Ancillary services	2,042,651	2,285,389	2,384,749	(99,360)
Community services	170,181	169,126	164,689	4,437
Other outgo	4,444,600	4,392,188	4,679,697	(287,509)
Debt service				
Interest	-	2,211,484	2,211,484	-
Total Expenditures¹	224,821,082	233,769,257	232,246,130	1,523,127
Excess (Deficiency) of Revenues Over Expenditures	(6,738,102)	(13,323,005)	(10,612,018)	2,710,987
Other Financing Sources (Uses):				
Transfers in	4,869,000	8,279,400	9,030,167	750,767
Transfers out	(450,000)	(637,580)	(1,917,748)	(1,280,168)
Net Financing Sources (Uses)	4,419,000	7,641,820	7,112,419	(529,401)
NET CHANGE IN FUND BALANCES	(2,319,102)	(5,681,185)	(3,499,599)	2,181,586
Fund Balance - Beginning	23,562,654	23,562,654	23,562,654	-
Fund Balance - Ending	\$ 21,243,552	\$ 17,881,469	\$ 20,063,055	\$ 2,181,586

¹ On behalf payments of \$5,381,771 are not included in the actual or budgeted revenues and expenditures.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
May 1, 2008	\$ -	\$ 38,870,849	\$ 38,870,849	0.00%	\$ 119,381,624	33%

SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Grants:			
Title IV, Physical Fitness Grant	84.215F	[2]	\$ 57,716
Title IV, Smaller Learning Communities	84.215L	[2]	158,049
Passed through California Department of Education (CDE):			
No Child Left Behind Act:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	3,130,336
Title I, Part C, Migrant Education	84.011	13174	410,385
Title II, Part A, Teacher Quality	84.367	14341	945,352
Title II, Part A, Administrator Training	84.367	14344	8,202
Title III, Limited English Proficiency	84.365	10084	496,463
Title III, Immigrant Education Program	84.365	14346	73,638
Title IV, Part A, Drug-Free Schools	84.186	14347	107,112
Title V, Part A, Innovative Education Strategies	84.298A	14354	24,614
Title X, Part A, Indian Education	84.060	10011	23,080
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,317,601
Workability II, Transition Partnership	84.158	10006	376,330
Carl Perkins Act:			
Vocational & Applied Technology Grant, Secondary	84.048	13929	577,424
Vocational & Applied Technology Grant, Postsecondary	84.048	13923	98,117
Adult Education Act:			
Adult Education: Adult Secondary Education	84.002	13978	17,614
Adult Basic Education and English as Second Language	84.002A	14508	517,819
Subtotal			<u>11,339,852</u>

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through California Department of Education (CDE):

Child Development Act:

Child Development: Quality Improvement Activities	93.575	13942	(5,719)
Child Development: Infant/Toddler child resources	93.575	13942	7,404
Head Start	93.600	10016	190,932
Medi-Cal Billing Option	93.778	10013	98,510
Refugee Children Supplemental Assistance Program	93.576	13981	257,658
Subtotal			<u>548,785</u>

U.S. DEPARTMENT OF AGRICULTURE

Passed through California Department of Education (CDE):

Needy Breakfast	10.553	13526	812,860
National School Lunch	10.555	13755	1,906,627
Commodity Supplemental Food Program ^[1]	10.565	02288	158,638
Subtotal			<u>2,878,125</u>

CORPORATION FOR NATIONAL AND COMMUNITY SERVICES

Passed through California Department of Education (CDE):

CalServe, Learn and Serve America Service Grants	94.004	13161	<u>19,842</u>
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U.S. DEPARTMENT OF DEFENSE

Junior Reserve Officer Training Corp; JROTC	12.000	^[2]	519,409
Total			<u>\$15,306,013</u>

^[1] Not recorded in the financial statements.

^[2] The grants are direct grants. No pass-through entity identifying numbers are available.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2008

ORGANIZATION

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 -12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 2 adult education sites, three independent study programs, and five continuation schools.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Lan Nguyen	President	2008
Eddie Garcia	Vice President	2008
George Shirakawa	Clerk	2010
J. Manual Herrera	Member	2010
Frank Biehl	Member	2010

ADMINISTRATION

Bob Nunez	Superintendent
Jerry Kurr	Associate Superintendent for Administrative and Business Service

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2008**

	Amended Second Period Report	Annual Report
SECONDARY		
Regular classes	21,951	21,807
Continuation education	574	568
Home and hospital	33	39
Special education	1,102	1,094
Total Secondary	23,660	23,508
REGIONAL OCCUPATIONAL PROGRAM	1,024	1,182
CLASSES FOR ADULTS		
Concurrently enrolled	66	87
Not concurrently enrolled	1,932	2,721
Total Classes for Adults	1,998	2,808
Grand Total	26,682	27,498
		<u>Hours of Attendance</u>
SUPPLEMENTAL INSTRUCTIONAL HOURS		
High school		847,781
Total Hours		847,781

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2008**

Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9 - 12		64,800		180	N/A	
Grade 9	61,893	--	65,168	--	--	Complied
Grade 10	61,893	--	65,168	--	--	Complied
Grade 11	61,893	--	65,168	--	--	Complied
Grade 12	61,893	--	65,168	--	--	Complied

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report, and the audited financial statements.

	<u>Building</u>
FUND BALANCE	
Balance, June 30, 2008, Unaudited Actuals	\$ 137,740,803
Decrease in Cash	<u>(2,113,583)</u>
Balance, June 30, 2008, Audited Financial Statement	<u>\$ 135,627,220</u>

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 ¹	2008	2007	2006
GENERAL FUND				
Revenues	\$ 215,390,861	\$ 227,015,883	\$ 238,004,176	\$ 203,784,305
Other sources	3,081,507	9,030,167	4,372,945	6,398,535
Total Revenues and Other Sources	218,472,368	236,046,050	242,377,121	210,182,840
Expenditures	229,731,539	237,627,901	227,425,292	197,924,125
Other uses and transfers out	200,000	1,917,748	702,330	5,794,392
Total Expenditures and Other Uses	229,931,539	239,545,649	228,127,622	203,718,517
INCREASE (DECREASE) IN FUND BALANCE	\$ (11,459,171)	\$ (3,499,599)	\$ 14,249,499	\$ 6,464,323
ENDING FUND BALANCE	\$ 8,603,884	\$ 20,063,055	\$ 23,562,654	\$ 9,313,155
AVAILABLE RESERVES²	\$ 10,019,829	\$ 16,650,271	\$ 17,307,172	\$ 8,724,486
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO⁴	4.36%	7.11%	7.76%	4.28%
LONG-TERM OBLIGATIONS	\$ 536,350,997	\$ 548,329,454	\$ 486,568,372	\$ 388,833,686
AVERAGE DAILY ATTENDANCE AT P-2³	23,707	23,660	23,374	23,226

The General Fund balance has increased by \$10,749,900 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$11,459,171 on the ending fund balance. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the past two years and an operating deficit in the current year and anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have increased by \$159,495,768 over the past two years.

Average daily attendance has increased by 434 over the past two years. An increase of 47 ADA is anticipated during fiscal year 2008-2009.

¹ Budget 2009 is included for analytical purposes only and has not been subjected to an audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund (other than capital outlay and retiree benefits special reserve fund).

³ Excludes Adult Education and ROP ADA.

⁴ On-behalf payments of \$5,381,771, \$5,098,661 and \$4,641,391 for 2008, 2007 and 2006 have been excluded from the calculation of available reserves percentage for fiscal years ending June 30, 2008, 2007, respectively.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

EXCESS SICK LEAVE

JUNE 30, 2008

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

East Side Union High School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
California Youth Outreach Academy/Vocational	No
Escuela Popular Accelerated Family Learning	No
Escuela Popular/Center for Training & Careers Family Learning	No
Latino College Preparatory Academy	No
MACSA Academia Calmecac	No
San Jose Conservation Corps Charter	No

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Local Education Agency Organization Structure

This schedule provides information about the District's schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment's of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report, to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2008**

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the School District or County Office of Education, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

***OTHER SUPPLEMENTARY INFORMATION -
UNAUDITED***

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – UNAUDITED
JUNE 30, 2008**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
ASSETS				
Deposits and investments	\$ -	\$ 219,959	\$ 1,137,337	\$ 7,033,770
Receivables	2,667,237	65,803	8,288	55,561
Total assets	\$ 2,667,237	\$ 285,762	\$ 1,145,625	\$ 7,089,331
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdrafts	\$ 227,804	\$ -	\$ -	\$ -
Accounts payable	1,702,044	62,070	8,670	-
Deferred revenue	-	223,693	-	-
Total liabilities	1,929,848	285,763	8,670	-
Fund Balances:				
Reserved for:				
Special revenue funds	737,389	(1)	1,136,955	7,089,331
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balance	737,389	(1)	1,136,955	7,089,331
Total Liabilities and Fund Balances	\$ 2,667,237	\$ 285,762	\$ 1,145,625	\$ 7,089,331

See accompanying note to other supplementary information.

Retiree Benefits Special Reserve Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non Major Governmental Funds
\$ 8,422,959	\$ 6,241,029	\$ 120,863	\$ 16,144,188	\$ 18,240,733	\$ -	\$ 57,560,838
34,022	382,067	1,241	126,478	51,183	-	3,391,880
<u>\$ 8,456,981</u>	<u>\$ 6,623,096</u>	<u>\$ 122,104</u>	<u>\$ 16,270,666</u>	<u>\$ 18,291,916</u>	<u>\$ -</u>	<u>\$ 60,952,718</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,804
-	62,282	4,892	-	-	-	1,839,958
-	-	-	-	-	-	223,693
<u>-</u>	<u>62,282</u>	<u>4,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,291,455</u>
8,456,981	-	-	-	-	-	17,420,655
-	-	-	-	18,291,916	-	18,291,916
-	6,560,814	117,212	16,270,666	-	-	22,948,692
<u>8,456,981</u>	<u>6,560,814</u>	<u>117,212</u>	<u>16,270,666</u>	<u>18,291,916</u>	<u>-</u>	<u>58,661,263</u>
<u>\$ 8,456,981</u>	<u>\$ 6,623,096</u>	<u>\$ 122,104</u>	<u>\$ 16,270,666</u>	<u>\$ 18,291,916</u>	<u>\$ -</u>	<u>\$ 60,952,718</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
REVENUES				
Revenue limit sources	\$ 7,427,735	\$ -	\$ -	\$ -
Federal sources	551,769	192,617	-	-
Other state sources	619,745	2,079,954	1,020,496	-
Other local sources	338,705	99,651	52,300	281,059
Total Revenues	<u>8,937,954</u>	<u>2,372,222</u>	<u>1,072,796</u>	<u>281,059</u>
EXPENDITURES				
Current				
Instruction	4,722,430	2,117,970	-	-
Instruction related activities:				
Supervision of instruction	658,961	16,822	-	-
School site administration	2,482,830	228,471	-	-
Pupil Services:				
Food services	-	18,851	-	-
All other pupil services	130,624	79,726	-	-
General administration:				
All other general administration	198,035	-	-	-
Plant services	530,017	55,214	1,613,833	-
Facility acquisition and construction	-	6,375	1,386,672	-
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>8,722,897</u>	<u>2,523,429</u>	<u>3,000,505</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>215,057</u>	<u>(151,207)</u>	<u>(1,927,709)</u>	<u>281,059</u>
Other Financing Sources (Uses):				
Transfers in	123,269	151,206	1,137,413	100,000
Other sources	-	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	<u>123,269</u>	<u>151,206</u>	<u>1,137,413</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCES	338,326	(1)	(790,296)	381,059
Fund Balance - Beginning	399,063	-	1,927,251	6,708,272
Fund Balance - Ending	<u>\$ 737,389</u>	<u>\$ (1)</u>	<u>\$ 1,136,955</u>	<u>\$ 7,089,331</u>

See accompanying note to other supplementary information.

Retiree Benefit Special Reserve Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,427,735
-	-	-	-	-	-	744,386
-	-	-	10,215,378	242,301	-	14,177,874
1,999,791	1,312,450	6,279	359,186	28,005,572	-	32,454,993
1,999,791	1,312,450	6,279	10,574,564	28,247,873	-	54,804,988
-	-	-	-	-	-	6,840,400
-	-	-	-	-	-	675,783
-	-	-	-	-	-	2,711,301
-	-	-	-	-	-	18,851
-	-	-	-	-	-	210,350
-	20,063	-	-	-	-	218,098
-	251,531	-	-	-	-	2,450,595
-	1,044,163	25,307	-	-	-	2,462,517
-	-	-	-	11,690,000	-	11,690,000
-	-	-	-	17,961,994	-	17,961,994
-	1,315,757	25,307	-	29,651,994	-	45,239,889
1,999,791	(3,307)	(19,028)	10,574,564	(1,404,121)	-	9,565,099
11,687,357	-	-	-	-	-	13,199,245
-	-	-	-	1,499,547	-	1,499,547
(5,230,167)	-	-	-	-	(31,687,357)	(36,917,524)
6,457,190	-	-	-	1,499,547	(31,687,357)	(22,218,732)
8,456,981	(3,307)	(19,028)	10,574,564	95,426	(31,687,357)	(12,653,633)
-	6,564,121	136,240	5,696,102	18,196,490	31,687,357	71,314,896
\$ 8,456,981	\$ 6,560,814	\$ 117,212	\$ 16,270,666	\$ 18,291,916	\$ -	\$ 58,661,263

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTE TO OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2008**

NOTE 1 - PURPOSE OF THE SCHEDULE

**Non-major Governmental Funds – Combining Balance Sheet and Combining Statement of Revenues,
Expenditures and Changes in Fund Balance**

The Combining Non-major Governmental Funds Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds columns on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' 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
East Side Union High School District
San Jose, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of East Side Union High School District as of and for the year ended June 30, 2008, which collectively comprise East Side Union High School District's basic financial statements and have issued our report thereon dated December 19, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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. We noted other matters that we described in the accompanying schedule of findings and responses as item 2008-01.

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 and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 19, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
East Side Union High School District
San Jose, California

Compliance

We have audited the compliance of East Side Union High School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. East Side Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of East Side Union High School District's management. Our responsibility is to express an opinion on East Side Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about East Side Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of East Side Union High School District's compliance with those requirements.

In our opinion, East Side Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of East Side Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered East Side Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Side Union High School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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 and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavreck, Trine, Day & Co. LLP

Palo Alto, California
December 19, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 East Side Union High School District
 San Jose, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Side Union High School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. 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 opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of East Side Union High School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the East Side Union High School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	No
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Not Applicable
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Regional Occupation programs because this program is administered by Metropolitan Education District.

Based on our audit, we found that for the items tested, the East Side Union High School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the East Side Union High School District had not complied with the laws and regulations. Our audit does not provide a legal determination on East Side Union High School District's compliance with the State laws and regulations referred to above.

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

Varrinck, Trine, Day & Co. LLP

Palo Alto, California
December 19, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low- Income and Neglected</u>
<u>84.367</u>	<u>Title II, Teacher Quality</u>
<u>84.002</u>	<u>Adult Education</u>
<u>12.000</u>	<u>Junior Reserve Officer Training</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 459,347</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2008-1 Code - 30000

Criteria or Specific Requirements

General best accounting practices emphasize the importance of good internal controls. Strong internal controls over associated student body (ASB) funds are especially important due to the decentralized nature of ASB cash collections and disbursements.

Condition

Santa Teresa High School

- The school did not have purchase orders signed for all disbursements and the checks were not signed by two authorized personnel for all disbursements.
- The amount in one of the invoices tested does not agree to the amount paid.
- The school did not maintain an inventory record for the store.
- No revenue potential forms were prepared and no adequate tickets control for the fundraising activities.

Oak Grove High School

- Student council minutes are not maintained.
- Pre-numbered receipts were not used for football games and no summary of tickets sales was prepared.
- No revenue potential forms were prepared and no adequate tickets control for the fundraising activities.

Evergreen Valley High School

- No expenditures were approved in the student body meetings.
- No copies of the revenue potential forms were maintained and no adequate tickets control for the fundraising activities.
- The school does not maintain an inventory record for the store.

Questioned costs

None

EAST SIDE UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Context

All ASB cash collections and disbursements related to the ASB accounts.

Effect

Lack of proper documentations for the ASB activities exposes ASB receipts and disbursements to a greater risk of misstatement and cause difficulty in verifying that all cash collected was deposited to the bank accounts intact and all cash disbursed was paid for the authorized purposes.

Recommendation

We recommend that the District provide training to the sites on the importance of strengthening the internal controls over ASB funds. Fund raising activities should have proper controls. Sales summaries should indicate how many tickets were sold and for how much each ticket was sold for. Reconciliations between how much should be collected form the sale of those tickets versus how much was collected should be performed for all major fundraisers. Inventory records should be maintained properly with item purchased in and sold. The invoices should be reconciled properly to the disbursements and purchase orders should be maintained properly. All checks should be signed by two authorized personnel. Student council minutes should be maintained properly with expenditure approvals.

District Response

The District has held one-day FCMAT ASB workshop on 03/19/2008 for activity directors, bank clerks and school administrators. Due to personnel turnovers the district will hold training session for an on-going basis to ensure that the schools are implementing the internal control procedures.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2007-1 Code 30000

Internal Control

Finding

Yerba Buena High School

- The school did not adequately maintain the student council minutes.
- The school did not properly maintain bank statements and reconciliations of the cash.
- There are no revenue potentials/ sales analyses prepared and no adequate tickets control for the fundraising activities.
- The school did not maintain adequate inventory counts for the costs of good sold.

Independence High School

- Cafeteria revenues and change fund are recorded in the ASB account.

Piedmont High School

- The school did not maintain adequate tickets control for the fundraising activities.

Foothill Continuation High School

- The school did not maintain adequate tickets control for the fundraising activities.

The school did not properly maintain bank statements and reconciliations of the cash.

Recommendation

We recommend that the District provide training to the sites on the importance of strengthening the internal controls over ASB funds. Fund raising activities should have proper controls. Sales summaries should indicate how many tickets were sold and for how much each ticket was sold. A reconciliation between how much should be collected from the sale of those tickets versus how much was collected should be performed for all major fundraisers. Cash reconciliation should be adequately performed and student council minutes should be maintained properly.

Current Status

Not implemented. See finding 2008-1.

Federal Award Findings

None reported.

State Award Findings

2007-2 Code 70000

Instructional Materials

Finding

Per our test performed, the district held the public hearing on 10/26/07, which is two days beyond the 8 week period from the first day pupils attended school (8/29/07).

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

Auditor recommends that the District hold the public hearing within the 8 week period from the first day pupils attended school.

Current Status

Implemented.

2007-3 **Code 71000 & 72000**

Teacher Misassignments and School Accountability Report Card

Finding

Per the testing performed, we noted that the district had 167 complaints recorded on the quarterly report for Williams Uniform Complaints of the period January 1 through March 31, 2006 regarding the issues of teacher vacancy and misassignment, facilities conditions and textbooks and instructional materials. The SARC report published in the fiscal year 06-07 for the fiscal year 05-06 should include the January 1 through March 31, 2006 Williams Uniform complaints. However, on the SARC report published in the fiscal year 06-07 there were no complaints disclosed.

Recommendation

Auditor recommends the District disclose all William Uniform Complaints on the School Accountability Report Card.

Current Status

Implemented.