

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX EXEMPTION."

\$28,610,000

**WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2001 General Obligation Refunding Bonds,
Series A**

\$10,255,000

**WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2001 General Obligation Refunding Bonds,
Series B**

Dated: November 1, 2001**Due: as shown below**

The 2001 General Obligation Refunding Bonds, Series A (the "2001A Bonds") and the 2001 General Obligation Refunding Bonds, Series B (the "2001B Bonds" and, together with the 2001A Bonds, the "Bonds") are being issued to advance refund certain bonds heretofore issued by the West Contra Costa Unified School District (the "District"), which were previously issued for the purpose of building a middle school in Richmond, repairing leaky classroom roofs, providing students with access to additional classroom technology, improving science labs, and upgrading and repairing schools throughout the District. See "REFUNDING PLAN." The Bonds are general obligations of the District, and the Board of Supervisors of Contra Costa County is empowered and is obligated to levy ad valorem taxes, without limitations of rate or amount, for the payment of interest on and principal of the Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates).

The Bonds are issued only in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds, when delivered, will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York ("DTC"). Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. Interest on the Bonds accrues from November 1, 2001, and is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2002. Principal of and interest on the Bonds will be paid by U.S. Bank Trust National Association, Los Angeles, California, as Paying Agent (the "Paying Agent") to DTC, which will in turn remit such principal and interest to its participant for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS—Book Entry Only System."

The Bonds are not subject to optional redemption prior to their stated maturities as described herein. The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities. See "THE BONDS—Redemption."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation.



This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision on the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California and Harrison, Taylor & Bazile, Oakland, California, co-counsel to the District. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company on or about November 6, 2001.

KINSELL, NEWCOMB

DE DIOS, INC.
INVESTMENT BANKING

Dated: October 23, 2001

MATURITY SCHEDULE
2001 General Obligation Refunding Bonds, Series A

Maturity Date	Principal Amount	Coupon Rate	Reoffering Yield	Maturity Date	Principal Amount	Coupon Rate	Reoffering Yield
February 1, 2002	\$1,060,000	4.15%	NRO	February 1, 2013	\$1,085,000	5.00%	NRO
August 1, 2002	45,000	4.15%	NRO	August 1, 2013	80,000	5.00%	NRO
February 1, 2003	700,000	4.20%	NRO	February 1, 2014	1,145,000	5.10%	NRO
August 1, 2003	45,000	4.20%	NRO	August 1, 2014	80,000	5.15%	NRO
February 1, 2004	735,000	4.25%	NRO	February 1, 2015	1,215,000	5.20%	NRO
August 1, 2004	45,000	4.25%	NRO	August 1, 2015	80,000	5.20%	NRO
February 1, 2005	755,000	4.30%	NRO	February 1, 2016	1,275,000	5.30%	NRO
August 1, 2005	50,000	4.35%	NRO	August 1, 2016	85,000	5.30%	NRO
February 1, 2006	780,000	4.40%	NRO	February 1, 2017	1,350,000	5.35%	NRO
August 1, 2006	55,000	4.40%	NRO	August 1, 2017	85,000	5.35%	NRO
February 1, 2007	820,000	4.45%	NRO	February 1, 2018	1,435,000	5.45%	NRO
August 1, 2007	60,000	4.45%	NRO	August 1, 2018	85,000	5.45%	NRO
February 1, 2008	855,000	4.50%	NRO	February 1, 2019	1,510,000	5.50%	NRO
August 1, 2008	60,000	4.50%	NRO	August 1, 2019	90,000	5.50%	NRO
February 1, 2009	895,000	4.60%	NRO	February 1, 2020	1,610,000	5.60%	NRO
August 1, 2009	65,000	4.60%	NRO	August 1, 2020	90,000	5.60%	NRO
February 1, 2010	940,000	4.75%	NRO	February 1, 2021	1,710,000	5.70%	NRO
August 1, 2010	65,000	4.75%	NRO	August 1, 2021	90,000	5.70%	NRO
February 1, 2011	975,000	4.85%	NRO	February 1, 2022	1,810,000	5.70%	NRO
August 1, 2011	75,000	4.85%	NRO	August 1, 2022	95,000	5.70%	NRO
February 1, 2012	1,035,000	4.95%	NRO	February 1, 2023	1,920,000	5.70%	NRO
August 1, 2012	75,000	4.95%	NRO				

\$1,495,000 5.75% Term Bonds due August 1, 2025; Reoffering Yield: NRO

2001 General Obligation Refunding Bonds, Series B

Maturity Date	Principal Amount	Coupon Rate	Reoffering Yield	Maturity Date	Principal Amount	Coupon Rate	Reoffering Yield
February 1, 2002	\$ 355,000	4.300%	NRO	February 1, 2010	\$ 310,000	5.000%	NRO
August 1, 2002	30,000	4.300%	NRO	August 1, 2010	35,000	5.000%	NRO
February 1, 2003	220,000	4.350%	NRO	February 1, 2011	325,000	5.100%	NRO
August 1, 2003	30,000	4.350%	NRO	August 1, 2011	35,000	5.100%	NRO
February 1, 2004	230,000	4.450%	NRO	February 1, 2012	345,000	5.250%	NRO
August 1, 2004	30,000	4.450%	NRO	August 1, 2012	35,000	5.250%	NRO
February 1, 2005	245,000	4.500%	NRO	February 1, 2013	360,000	5.300%	NRO
August 1, 2005	30,000	4.500%	NRO	August 1, 2013	40,000	5.300%	NRO
February 1, 2006	255,000	4.550%	NRO	February 1, 2014	385,000	5.400%	NRO
August 1, 2006	30,000	4.550%	NRO	August 1, 2014	40,000	5.400%	NRO
February 1, 2007	270,000	4.650%	NRO	February 1, 2015	405,000	5.500%	NRO
August 1, 2007	30,000	4.650%	NRO	August 1, 2015	40,000	5.500%	NRO
February 1, 2008	275,000	4.700%	NRO	February 1, 2016	435,000	6.000%	NRO
August 1, 2008	35,000	4.700%	NRO	August 1, 2016	40,000	6.000%	NRO
February 1, 2009	295,000	4.800%	NRO	February 1, 2017	460,000	6.000%	NRO
August 1, 2009	35,000	4.800%	NRO				

\$4,570,000 6.00% Term Bonds due August 1, 2024; Reoffering Yield: NRO

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No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representation of facts.

The information set forth herein has been obtained from sources believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as representation by the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$28,610,000
WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2001 General Obligation Refunding Bonds, Series A

\$10,255,000
WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2001 General Obligation Refunding Bonds, Series B

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the issuance by the West Contra Costa Unified School District (the "District") of its \$28,610,000 original aggregate principal amount of 2001 General Obligation Refunding Bonds, Series A (the "2001A Bonds") and its \$10,255,000 original aggregate principal amount of 2001 General Obligation Refunding Bonds, Series B (the "2001B Bonds", and together with the 2001A Bonds, the "Bonds"). The Bonds are issued under the authority granted by the Constitution and laws of the State of California (the "State"), including particularly the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), and are authorized pursuant to a Resolution adopted by the District on March 7, 2001 (the "Resolution"). U.S. Bank Trust National Association, Los Angeles, California is acting as paying agent (the "Paying Agent") under the Resolution.

Pursuant to Purchase Contracts dated March 27, 2001 and May 17, 2001, respectively, each between the District and the Underwriter, the Bonds were sold to the Underwriter. The Bonds will be issued by the District on November 6, 2001, to provide funds which are to be applied to advance refund the District's General Obligation Bonds, Election of 1998, Series A (the "1998A Bonds"), General Obligation Bonds, Election of 1998, Series B (the "1998B Bonds"), General Obligation Bonds, Election of 1998, Series C (the "1998C Bonds"), and General Obligation Bonds, Election of 1998, Series D (the "1998D Bonds" and, together with the 1998A Bonds, the 1998B Bonds and the 1998C Bonds, the "Prior Bonds"), and to pay the initial premium owed to MBIA Insurance Corporation (the "Insurer" or "MBIA"). See "REFUNDING PLAN" and "ESTIMATED USE OF BOND PROCEEDS" herein. Notwithstanding the advance refunding of the Prior Bonds, the District has retained the optional redemption rights with respect to such Prior Bonds pursuant to the resolutions and other documents under which the Prior Bonds were issued.

The Bonds are general obligation bonds of the District. See "THE BONDS - Security and Sources of Payment for the Bonds." The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by the Insurer. See APPENDIX C - "SPECIMEN INSURANCE POLICY."

REFUNDING PLAN

The District has heretofore issued the Prior Bonds in the total initial aggregate principal amount of \$40,000,000, for the purpose of building a middle school in Richmond, repairing leaky classroom roofs, providing students with access to additional classroom technology, improving science labs, and upgrading and repairing schools throughout the District. The Prior Bonds were issued pursuant to resolutions adopted by the Board of Education of the District (collectively, the "Prior Resolutions"). The Prior Bonds represent general obligations of the District.

Substantially all of the proceeds of the 2001A Bonds will be used to purchase a portfolio of direct obligations of, or obligations the payment of principal of and interest on which are guaranteed by, the United States of America (the "2001A Escrow Portfolio"). Substantially all of the proceeds of the 2001B Bonds will be used to purchase a portfolio of direct obligations of, or obligations the payment of principal of and interest on which are guaranteed by, the United States of America (the "2001B Escrow Portfolio" and, together with the 2001A Escrow Portfolio, the "Escrow Portfolios"). The Escrow Portfolios will be deposited under two separate Escrow Deposit and Trust

Agreements, each dated as of November 1, 2001 (the "Escrow Agreements"), between the District and U.S. Bank Trust National Association, Los Angeles, California, as escrow agent (the "Escrow Agent"), in order to provide for the payment in full of the Prior Bonds. The Escrow Deposit Agreement funded with proceeds of the 2001A Bonds is established for the refunding of the 1998A Bonds, the 1998B Bonds and the 1998D Bonds. The Escrow Deposit Agreement funded with proceeds of the 2001B Bonds is established for the refunding of the 1998C Bonds. Grant Thornton, LLP, independent certified public accountants, will verify the arithmetical accuracy of the calculations demonstrating the adequacy of the Escrow Portfolios to assure timely payment of debt service on the Prior Bonds to the respective maturity dates thereof. See "VERIFICATIONS" herein.

By virtue of the deposit of the Escrow Portfolios described above, the Prior Bonds will be defeased in accordance with the terms thereof and the terms of the Prior Resolutions, and all obligations of the District with respect to the Prior Bonds will cease, except the obligation to cause debt service payments to be made from the respective escrow funds. Notwithstanding the foregoing, the District has retained its right to optionally redeem the Prior Bonds pursuant to the Prior Resolutions.

ESTIMATED USE OF BOND PROCEEDS

2001A Bonds

The proceeds of the sale of the 2001A Bonds (in the amount of \$28,630,407.85) received by the District, together with other moneys available to the District as a result of the sale of certain reinvestment rights under the Escrow Agreement (in the amount of \$195,451.36) are expected to be applied to the purchase of the 2001A Escrow Portfolio (in the amount of \$28,727,632.22) in order to provide for the advance refunding of the 1998A Bonds, the 1998B Bonds, and the 1998D Bonds, to the payment of the premium owed to the Insurer (\$73,000), to deposit accrued interest on the Bonds under the Resolution (\$20,407.85) and to fund certain miscellaneous costs of issuance (\$4,819.14). See "REFUNDING PLAN" herein. All other costs of issuance with respect to the 2001A Bonds will be paid from other moneys available to the District.

2001B Bonds

The proceeds of the sale of the 2001B Bonds (in the amount of \$10,262,822.05) received by the District, together with other moneys available to the District as a result of the sale of certain reinvestment rights under the Escrow Agreement (in the amount of \$70,000) are expected to be applied to the purchase of the 2001B Escrow Portfolio (in the amount of \$10,294,530.56) in order to provide for the advance refunding of the 1998C Bonds, to the payment of the premium owed to the Insurer (\$27,000), to deposit accrued interest on the Bonds under the Resolution (\$7,822.05) and to fund certain miscellaneous costs of issuance (\$3,469.44). See "REFUNDING PLAN" herein. All other costs of issuance with respect to the 2001B Bonds will be paid from other moneys available to the District.

THE BONDS

The Bonds are initially available in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds as nominee of The Depository Trust Company ("DTC"), New York, New York, references herein to the Bondholders or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. Interest on and principal of the Bonds will be payable by the Paying Agent to Cede & Co. by wire transfer in immediately available funds in accordance with the terms of Letters of Representation, each by and among the Paying Agent, the District and DTC (the "Letters of Representation").

General

The Bonds are issuable only in fully registered form in denominations of \$5,000 principal amount, or any integral multiple thereof. The Bonds are dated November 1, 2001, bear interest at the rates and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year (each an "Interest Payment Date"), commencing February 1, 2002.

Interest on and principal of the Bonds will be payable by the Paying Agent, to Cede & Co. by wire transfer in immediately available funds in accordance with the terms of the Letters of Representation.

Book-Entry Only System

The Bonds will be held by DTC, as securities depository. The ownership of one fully registered Bond for each maturity is registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "indirect Participants").

Ownership interests in the Bonds may be purchased by or through DTC Participants. Such DTC Participants, and the persons for whom they acquire interests in the Bonds as nominees (the "Beneficial Owners"), will not receive certificated Bonds, but each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Bonds, which will be confirmed in accordance with DTC's standard procedures.

Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Bonds acquired. Each Beneficial Owner may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and may desire to make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such persons, be forwarded in writing by such DTC Participant and to have notification made of all interest payments.

NEITHER THE DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE RESOLUTION; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, reference herein to the Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

The ownership interest of each Beneficial Owner in the Bonds will be recorded on the records of the DTC Participants, whose ownership interests will be recorded on a computerized book-entry system operated by DTC.

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of monies, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form of DTC, the Paying Agent, or the District, subject to any statutory and regulatory requirements as may be in effect from time to time.

When notices are given to the Bondholders, they will be sent by the Paying Agent to DTC only (except as otherwise specifically provided in the Resolution). Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to indirect Participants, and by DTC Participants and indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Neither the Paying Agent nor the District is responsible for sending notices to Beneficial Owners.

Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Interest and principal will be paid by the Paying Agent to DTC, then paid by DTC to the DTC Participants, and thereafter paid by the DTC Participants to the Beneficial Owners when due.

For every transfer and exchange of the Bonds, the Paying Agent may charge DTC, and DTC may charge the DTC Participants and the DTC Participants may charge the Beneficial Owners, a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

Because DTC can only act on behalf of Participants, indirect Participants and certain banks, the ability of a Beneficial Owner to pledge such Beneficial Owner's Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Bonds, may be limited due to the lack of a certificate for such Bonds.

DTC has advised the District that it will take any action permitted to be taken by a Bondholder under the Resolution only at the direction of one or more Participants to whose account with DTC the Bonds are credited. Additionally, DTC has advised that it will take such actions with respect to a principal amount of Bonds only at the direction of and on behalf of Participants whose holdings include that principal amount of the Bonds. DTC may take conflicting actions with respect to other principal amounts of Bonds to the extent that such actions are taken on behalf of Participants whose holdings include those principal amounts of the Bonds.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository) Bond certificates are required to be delivered as described in the Resolution.

The District may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners. In such event, Bond certificates will be required to be delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to their stated maturities.

Mandatory Sinking Fund Redemption. The 2001A Bonds maturing on August 1, 2025 and the 2001B Bonds maturing on August 1, 2024 (the "Term Bonds") shall be subject to mandatory sinking fund redemption on February 1 and August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with accrued interest thereon to the date fixed for redemption.

2001A BONDS MATURING AUGUST 1, 2025

Redemption Date	Principal Amount
8/1/2023	\$ 95,000
2/1/2024	580,000
8/1/2024	100,000
2/1/2025	620,000
8/1/2025 (Maturity)	100,000

2001B BONDS MATURING AUGUST 1, 2024

Redemption Date	Principal Amount
8/1/2017	\$45,000
2/1/2018	490,000
8/1/2018	45,000
2/1/2019	525,000
8/1/2019	45,000
2/1/2020	560,000
8/1/2020	45,000
2/1/2021	590,000
8/1/2021	50,000
2/1/2022	635,000
8/1/2022	50,000
2/1/2023	675,000
8/1/2023	50,000
2/1/2024	715,000
8/1/2024 (Maturity)	50,000

Notice of Redemption. Notice of redemption is to be mailed, first class postage prepaid, to the respective owners of any Bonds designated for redemption at their address appearing on the books required to be kept by the Paying Agent, not less than 30 nor more than 60 days prior to the redemption date, which notice is to specify, among other things: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, and (d) the redemption price.

Annual Debt Service

The schedule below presents the annual debt service for the 2001A Bonds.

ANNUAL DEBT SERVICE SCHEDULE FOR BONDS WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT 2001 General Obligation Refunding Bonds, Series A

Fiscal Year Ending 6/30	Principal	Interest	Total Debt Service
2002	\$1,060,000	\$367,341.25	\$1,427,341.25
2003	745,000	1,424,441.25	2,169,441.25
2004	780,000	1,393,162.50	2,173,162.50
2005	800,000	1,360,023.75	2,160,023.75
2006	830,000	1,325,515.00	2,155,515.00
2007	875,000	1,288,897.50	2,163,897.50
2008	915,000	1,249,862.50	2,164,862.50
2009	955,000	1,208,702.50	2,163,702.50
2010	1,005,000	1,164,687.50	2,169,687.50
2011	1,040,000	1,116,998.75	2,156,998.75
2012	1,110,000	1,066,348.75	2,176,348.75
2013	1,160,000	1,011,441.25	2,171,441.25
2014	1,225,000	953,335.00	2,178,335.00
2015	1,295,000	890,880.00	2,185,880.00
2016	1,355,000	823,560.00	2,178,560.00
2017	1,435,000	751,652.50	2,186,652.50
2018	1,520,000	674,901.25	2,194,901.25
2019	1,595,000	592,103.75	2,187,103.75
2020	1,700,000	504,262.50	2,204,262.50
2021	1,800,000	409,107.50	2,209,107.50
2022	1,900,000	306,552.50	2,206,552.50
2023	2,015,000	198,110.00	2,213,110.00
2024	675,000	83,231.25	758,231.25
2025	720,000	44,275.00	764,275.00
2026	100,000	2,875.00	102,875.00
Totals	<u>\$28,610,000</u>	<u>\$20,212,268.75</u>	<u>\$48,822,268.75</u>

The schedule below presents the annual debt service for the 2001B Bonds.

**ANNUAL DEBT SERVICE SCHEDULE FOR BONDS
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
2001 General Obligation Refunding Bonds, Series B**

Fiscal Year Ending 6/30	<u>Principal</u>	<u>Interest</u>	Total Debt <u>Service</u>
2002	\$355,000	\$140,796.88	\$495,796.88
2003	250,000	547,277.50	797,277.50
2004	260,000	536,410.00	796,410.00
2005	275,000	524,855.00	799,855.00
2006	285,000	512,487.50	797,487.50
2007	300,000	499,527.50	799,527.50
2008	305,000	485,592.50	790,592.50
2009	330,000	471,147.50	801,147.50
2010	345,000	455,325.00	800,325.00
2011	360,000	438,110.00	798,110.00
2012	380,000	419,767.50	799,767.50
2013	395,000	399,843.75	794,843.75
2014	425,000	378,785.00	803,785.00
2015	445,000	355,855.00	800,855.00
2016	475,000	331,400.00	806,400.00
2017	500,000	303,000.00	803,000.00
2018	535,000	272,850.00	807,850.00
2019	570,000	240,750.00	810,750.00
2020	605,000	206,550.00	811,550.00
2021	635,000	170,250.00	805,250.00
2022	685,000	132,000.00	817,000.00
2023	725,000	90,900.00	815,900.00
2024	765,000	47,400.00	812,400.00
2025	50,000	1,500.00	51,500.00
Totals	<u>\$10,255,000</u>	<u>\$7,962,380.63</u>	<u>\$18,217,380.63</u>

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy ad valorem taxes for payment of both principal and interest of the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), without limitation of rate or amount.

Defeasance

The Bonds may be defeased prior to maturity by irrevocably depositing an amount of cash or qualified governmental securities which, together with amounts then on deposit in the Debt Service Account held under the Resolution, is sufficient to pay the principal of and interest on all Bonds outstanding. Upon such deposit, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent (on behalf of the District) to pay or cause to be paid from funds deposited to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

MUNICIPAL BOND INSURANCE POLICY

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix C for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of Bonds the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.]

MBIA

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading “MUNICIPAL BOND INSURANCE POLICY”. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001; and
- (3) The report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2000, (2) the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and (3) the report on Form 8-K filed by the Company on January 30, 2001) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2000, MBIA had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2001, MBIA had admitted assets of \$8.1 billion (unaudited), total liabilities of \$5.8 billion (unaudited), and total capital and surplus of \$2.3 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch, Inc. rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. (See "THE BONDS — Security and Sources of Payment for the Bonds" herein.) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 62, 98, 111, and 227, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the California Constitution

Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to one percent of full cash value (as defined in Section 2 of Article XIII A), to be collected by the counties and apportioned according to law. Section 1(b) provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition or (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or reduction in the consumer price index or comparable data, or reduced in the event of declining property value caused by damage, destruction or other factors. The State Board of Equalization has adopted regulations, binding on county assessors, interpreting the meaning of "change in ownership" and "new constructions" for purposes of determining full cash value of property under Article XIII A. Subsequent to the initial passage of Article XIII A, various propositions have been approved by the voters of the State of California which have amended Article XIII A so as to reduce local property tax revenues in certain respects, generally.

Legislation Implementing Article XIII A

Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by the voters pursuant to Section 1(b). Such legislation provides that each county will levy the maximum tax permitted by Article XIII A of \$1 per \$100 of taxable value, which is distributed among taxing agencies by a formula based on each agency's pre-1978 tax rate as a percentage of all taxes received in the county.

Future assessed valuation growth under Article XIII A (new construction, change of ownership and two percent annual value growth) is allocated on the basis of "sites" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The District is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues.

Article XIII B of the California Constitution

Article XIII B of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for declared emergencies. As amended, Article XIII B defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay properties as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "**Proposition 98**" and "**Proposition 111**" below.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State approved an initiative constitutional amendment entitled "Right to Vote on Taxes" (Proposition 218) that added Articles XIII C and XIII D to the State Constitution. Proposition 218 contains a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIII C also provides that no tax may be assessed upon any parcel of property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer to levy the 1% *ad valorem* property tax and to distribute the proceeds of the tax to local agencies in the County, including school districts. The initiative power cannot be used to reduce or repeal the authority and obligation of the County to levy such taxes or to otherwise interfere with performance of the mandatory, statutory duty of the County with respect to such taxes.

Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIII D deals with assessments and property-related fees and charges, excluding developer mitigation fees, and does not affect the District or its Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Because the issuance of the Bonds was authorized by the vote of more than 2/3 of the qualified voters, the issuance of the Bonds complies with the applicable requirements of Proposition 218, in the opinion of Co-Bond Counsel.

Proposition 62

Proposition 62 was a statutory initiative adding Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior approval, the amount thereof must be withheld from the levying entity's allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995. The District has not enacted any tax that would be subject to the provisions of Proposition 62.

Proposition 98

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) in general, a fixed percent of the State's General Fund (the "General Fund") revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools that would be the basis of payments in future years when per capita General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 schools' funding guarantee under Test 1 to be 40.3% of the General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period. In the fall of 1989, the Legislature and the Governor utilized this provision to avoid having 40.3 % of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 schools. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 schools. See "**GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION - Economic Conditions in California**" for a discussion of the application of Proposition 98 in recent years.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

(a) Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price

Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

(b) Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

(c) Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay properties" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above their current nine cents per gallon level, sales and use taxes on such inclement in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which counts on raising over \$15 billion in additional taxes over the next 10 years to fund transportation programs.

(d) Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

(e) School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capital personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 227

Proposition 227 was enacted in the California Primary Election held on June 2, 1998, and amends the California Education Code to require that all children in California public schools be taught exclusively in English, and require that all children who do not speak English or whose native language is not English be placed in English language immersion classrooms during a temporary transition period, normally not to exceed one year. Once such students acquire a good working knowledge of English, they are to be transferred to English language mainstream classrooms. The statute mandates penalties associated with not following the law as written.

Proposition 227 will also allocate \$50 million per year for free or subsidized adult English language instruction programs to parents or other members of the community who pledge to provide English language tutoring to California school children with limited English proficiency. The State Legislative Analyst's Office has concluded that since the level of spending on K-12 programs is based on a formula in the State Constitution, the \$50 million allocated for these adult English classes would probably not cause the level of State spending for K-12 programs to increase. On the contrary, as a result of this provision of Proposition 227, spending on other school programs would likely decrease by a corresponding amount. At the school level, it is possible that funds associated with bilingual programs may be reduced. At the school district level, such amounts may be redirected to other programs.

On the day after the June 2nd election, a coalition of civil rights groups filed a lawsuit in the United States District Court in San Francisco seeking to enjoin implementation of Proposition 227. Four separate District Courts denied the request for a stay. The case is still pending in the District Court.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Propositions 62, 98, 111 and 227 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this section concerning the State funding of public education is supplemental only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient to make such payments. See "THE BONDS — Security and Sources of Payment for the Bonds" herein.

State Funding of Education

The California Constitution requires that from all State revenues there shall first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues can significantly affect appropriations made by the State Legislature to school districts. The District has no control over the level of State funding it receives. Should State funding for public education be reduced or should the State experience budget problems, the District's financial position may be affected.

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of A.D.A.. Generally, such apportionments will amount to the difference between the District's revenue limits and the District's local property tax allocations. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Propositions 98" and "— Proposition 111" and "THE DISTRICT — Average Daily Attendance and Revenue Limit" herein.

Basic Aid

A provision of the State Constitution provides that every district will receive a minimum of \$120 per A.D.A. ("basic aid"). In the event that a school district's property tax allocation exceeds its entitlement under the revenue limit, State apportionments are limited to the basic aid level of \$120 per A.D.A. Property tax allocations for such school districts (known as "Basic Aid Districts"), however, are not limited by the revenue limit. Because of this, Basic Aid Districts receive revenues in excess of their entitlement under the revenue limit and are less dependent on State funding of education.

The District is not a Basic Aid District.

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) Revenue Limit Sources (consisting of a mix of State and local revenues), (2) Federal Sources, (3) Other State Sources and (4) Other Local Sources. Each of these revenue sources is described below.

Revenue Limit Sources. Since Fiscal Year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, the revenue limits are calculated for each school district by multiplying (1) the average daily attendance ("A.D.A.") for such district by (2) a base revenue limit per unit of A.D.A.. The revenue limit calculations are adjusted annually in accordance with a number of factors

designated primarily to allow for cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limits is accomplished by a combination of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments amount to the difference between the District's revenue limits and their local property tax revenues. See "**State Funding of Education**" under this caption for additional information.

Federal Sources. The federal government provides funding for several programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed previously, each school district receives State apportionment of basic and equalization aid in an amount equal to the difference between the school districts revenue limit and its property tax revenues. In addition to such apportionment revenue, the school district receives Other State Revenues. These Other State Revenues are primarily restricted revenues that fund items such as special education programs, instructional materials, and mentor teachers.

Included among the other State Revenues are moneys the school district receives from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes, such as real property acquisition, facility construction, or the financing of research. State Lottery net revenues (gross revenues less prizes and administration expenses) are allocated by computing an amount per A.D.A. or full time equivalent ("F.T.E."). This figure is derived by dividing the total net revenues figures by the total A.D.A. for grades K-12 and community colleges, and by the total F.T.E. for the University of California system and the California State University and College system. Each entity receives an amount equal to its total A.D.A. or F.T.E., as applicable, multiplied by the per A.D.A. or F.T.E. figure.

Other Local Revenues. In addition to property taxes, a school district may receive additional local revenues from items such as the leasing of property owned by the school district, fees collected for providing bus transportation for children, and interest earnings.

Economic Conditions in California

During several years in the early 1990s, the State realized less tax receipts than it had previously budgeted, so that in each of those years public education received more in funding than its minimum entitlement under Proposition 98. The State legislature characterized the overfunded amounts as "loans" to be repaid from the Proposition 98 entitlement in future years. The aggregate amount of these loans is approximately \$1.76 billion. The validity of the loan characterization and repayment mechanism were challenged by the California Teachers' Association (*California Teachers' Association v. Gould*), which sought to void the obligation to repay the loan amounts. See "**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Propositions 98**" and "**— Proposition 111.**"

The settlement of this case, finalized in July 1996, provides, among other things, that both the State and K-14 schools share in the repayment of prior years' emergency loans to schools. Of the total \$1.76 billion in loans, the State will repay \$935 million by forgiveness of the amount owed, while schools will repay \$825 million. The State share of the repayment will be reflected as an appropriation above the current Proposition 98 base calculation. The schools' share of the repayment will count either as appropriations that count toward satisfying the Proposition 98 guarantee, or as appropriations from "below" the current base. Repayments are spread over the eight-year period of the 1994-95 fiscal year through the 2001-02 fiscal year to reduce any adverse fiscal impact.

State Budget

1998-1999 Fiscal Year Budget. On August 21, 1998, the Governor signed the 1998 State Budget Act (the "1998-99 Budget Act"). The 1998-99 Budget Act reflected the continued upswing in California's economy. Final tabulation of revenues and expenditures contained in the Governor's 2000-01 Budget revealed that 1998-99 revenues and transfers reached \$58.6 billion (representing a \$1.6 billion increase over the final calculation of 1997-98 revenues) and expenditures totaled \$57.8 billion.

The 1998-99 Budget Act included the following significant adjustments for K-12 Education: 3.95% Cost of Living Adjustment (COLA) for revenue limits and 2.18% COLA for other programs (\$957.6 million) and statutory growth at 1.8% (\$474.7 million). The 1998-99 Budget Act also included \$901 million for new programs and program expansions, such as Instructional Materials for Mathematics, Staff Development Buyout, Preschool/Childcare Expansion, School Library Materials, etc.

The total K-12 Proposition 98 Guarantee was funded at \$31.3 billion. This was an increase in total 1998-99 Proposition 98 funding for K-12 education of \$2.1 billion compared to the 1997-98 revised figures and \$2.4 billion compared to the 1997-98 Budget Act.

1999-2000 Fiscal Year Budget. On June 29, 1999, the Governor signed the State Budget Act for Fiscal Year 1999-2000 (the "1999-2000 Budget Act"). The 1999-2000 Budget Act projected General Fund revenues and transfers in 1999-2000 of \$62.9 billion, representing an increase of 8.7% from Fiscal Year 1998-99. Total General Fund allocations of \$26.4 billion for K-12 education represented approximately 41.5% of the total General Fund Budget and an increase of 6.6% over the 1998-99 budget. The 1999-2000 Budget Act provided for a total of \$38 billion in K-12 Proposition 98 resources, which represented an increase of \$2.8 billion, or 8.0%, over the 1998-99 Budget Act. The 1999-2000 Budget Act also included a statutory COLA of 1.41%.

The State revenue spending limit per pupil increased by almost 10.0% from \$5,751 in the 1998-99 Budget Act to \$6,313 per pupil in 1999-2000.

The 1999-2000 Budget Act included a total of approximately \$1.1 billion for New Education Initiatives. These initiatives included Reading Improvement, Teacher Quality, Accountability/ Performance, California Community Colleges, School Safety, Instructional Quality, Funding Equity and Accountability, and Preschool and Child Care.

2000-01 Fiscal Year Budget. On June 30, 2000, Governor Davis signed the State Budget Act for Fiscal Year 2000-01 (the "2000-01 Budget Act.") The 2000-01 Budget Act makes significant new investments in public education, giving schools new resources while funding efforts to improve student achievement, recruit and retain qualified teachers and upgrade technology. The 2000-01 Budget Act also invests in transportation, health care, housing and tax relief. The 2000-01 Budget Act also includes \$7.5 billion one-time expenditures and a prudent reserve of \$1.78 billion. Significant features of the 2000-01 Budget Act for K-12 education include:

- *Proposition 98.* Total Proposition 98 spending of \$38.6 billion represents an increase of \$3.2 billion (9.0%) over the prior fiscal year. K-12 spending per pupil increases by \$480 from \$6,321 in 1999-2000 to \$6,801, a 7.5% increase.
- *Elimination of K-12 Deficit Factor.* \$1.84 billion to eliminate the deficit factor to the statutory COLA beginning in 1990-91 caused by State Budget shortfalls. Eliminating the deficit factor results in an average increase in revenue limit funding per ADA of 6.996%. Combined with the 3.17% COLA, this reflects a historic discretionary funding increase in excess of 10.0%.
- *School Improvement and Pupil Achievement Block Grant.* (a) \$245 million for expenditures by school districts for safety, deferred maintenance, technology staff development, education technology connectivity, of facility improvements, and (b) \$180 million for expenditures by school sites for instructional materials, staff development, computers, education technology, library materials, deferred maintenance, enrichment activities, tutoring services, or any other one-time educational purpose.
- *Teacher Tax Credit.* \$218 million for personal income tax credit which may be claimed by teachers, ranging from \$250 per teacher with at least four years of teaching experience to \$1,500 for those teachers who have taught at least 20 years, and limited to 50% of the tax liability from teaching.
- *Beginning Teacher Salaries.* \$55 million to school districts participating in the Beginning Teacher Salary Program in order to increase annual salaries of beginning teachers in those districts to a minimum of \$34,000.

- *English Language Learning.* \$260 million to provide intensive English language and literacy instruction, including \$250 million for grades K-12 to provide such instructions after school and during intersession/summer breaks.
- *Educational Technology.* More than \$215 million to improve access to computers and technology for students in classrooms, and \$188 million for the final year of implementation for the Digital High School Program.

2001-02 Fiscal Year Budget. On July 26, 2001, the Governor signed the State Budget Act for Fiscal Year 2001-02 (the "2001-02 Budget Act"). The \$103.3 billion 2001-02 Budget Act, which reflects a softening of the State's economy and slowing tax revenues, contains an overall year-to-year General Fund expenditure decrease of 1.7%, yet still makes major new investments in education aimed at improving the performance of California's schools. The 2001-02 Budget Act also invests in public safety, transportation and health care coverage. It assumes continuation of over \$4 billion in recently enacted ongoing tax relief, new tax relief for agriculture, and increased tax assistance for seniors, as well as a reserve of \$2.6 billion. Significant features of the 2001-02 Budget Act for K-12 education include:

- *Proposition 98 Guarantee.* Total spending is \$45.4 billion, an increase of \$2.5 billion, or 5.9% over the current year. K-12 spending per pupil increases by \$324 from \$6,678 in 2000-01 to \$7,002 in 2001-02, a 4.9% increase.
- *Immediate Intervention/Underperforming Schools Program (II/USP).* \$161 million to provide planning grants and to increase implementation grants from \$168 to \$200 per pupil to schools that participate in the II/USP to improve the academic achievement of the schools' pupils.
- *High Priority Students Block Grant.* \$200 million to complement the II/USP. Block grants will be awarded to provide up to \$400 per pupil to improve student achievement in low-performing schools. Although this grant will be available to all schools in the bottom five deciles of the Academic Performance Index, priority will be given to the lowest scoring schools that apply or are already participating in the II/USP.
- *Mathematics and Reading Professional Development Program.* \$80 million for the first year of the UC-approved four-year Mathematics and Reading Professional Development Program. Over the course of this program, 249,000 K-12 teachers and 22,000 teaching aides will receive 40 hours of intensive, out-of-classroom training in mathematics and/or reading instruction. Additionally, teachers will be provided with 80 hours of follow-up training. Schools will receive \$2,500 for each teacher trained and \$1,000 for each teaching aide trained.
- *Principal Training Program.* \$15 million for the first year of the three-year Principal Training Program, which will provide 15,000 principals and vice principals with training in instructional standards and effective school management techniques. Schools will receive \$3,000 per person trained, which must be matched by \$1,000 from the school district.
- *Special Education.* \$97.9 million, of which half will be used to provide a permanent increase to the base funding level for the special education program. The other half will be used to provide equalization funding for special education.
- *School Energy Cost Assistance.* \$250 million for allocation to school districts, county offices of education, and charter schools on a per-pupil basis for school energy costs and energy conservation measures.
- *School District Equalization.* \$40 million to further increase discretionary funding to school districts with revenue limit funding below the statewide average.
- *Partial Suspension of the PERS Offset to Revenue Limits.* \$35 million to increase discretionary funding by reducing the cost of the PERS offset to revenue limits for school districts and county offices of education.

- **High Tech High Schools.** \$ 10 million for the first year of a two-year project to establish five High-Tech High Schools. These schools are intended to foster opportunities for students to meet the rigorous demands of the high-technology field and provide students with the resources necessary to achieve greater technological skills. Grants of \$2 million will be awarded to districts on a competitive basis and require a 1:1 local match.

Future Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control.

State Lottery

In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. The amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive an amount proportional to their total A.D.A. See "**THE DISTRICT — Lottery Income**" herein.

Ad Valorem Property Taxation

The District uses the services of the County for the assessment and collection of taxes for District purposes. School district property taxes are assessed and collected by the County at the same time and on the same rolls as county, special district and city property taxes.

The valuation of secured property and a statutory tax lien is established as of January 1 and is subsequently equalized in August. The resulting secured property tax is payable in two equal installments due November 1 and March 1, and payments become delinquent on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year. Taxes on unsecured property are levied at the preceding fiscal year's secured tax rate and become delinquent on September 1.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

Assessed Valuation

All property is assessed using full cash value as defined by article XIII A of the State constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (for new construction, certain changes of ownership, two percent inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assured property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll." Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of

the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

The passage of AB 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property, and imposed a State-mandated local program by requiring the assignment of the assessed value of all unitary and operating nonunitary property in each county for each State-assessed taxpayer other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide tax rates for such property and for the allocation of property tax revenues attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. The legislation requires each county to issue each State assessed taxpayer, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

See "**THE DISTRICT - Assessed Valuation**" for a history of assessed valuation within the District's boundaries.

Tax Levies, Collections and Delinquencies

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax-Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning October 1st of the fiscal year, and a lien is recorded against the assesses. The taxing authority has four ways of collecting unsecured personal property taxes: (a) filing a civil action against the taxpayer; (b) flagging a Bond in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer, (c) filing a Bond of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (d) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Teeter Plan and Tax Loss Reserve Fund. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code and has created a tax loss reserve fund. Under the Teeter Plan, each participating local agency, including school districts, levying property taxes in the County receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two thirds of the participating revenue districts in the County. No county has ever received a petition from any governing board to discontinue the Teeter Plan. A board of supervisors may after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in their county.

Hughes-Hart Act Educational Reform Act. On July 28, 1983, the Hughes-Hart Act Educational Reform Act, Chapter 3.5 of Part 0.5 of Division 1 of the Revenue and Taxation Code (commencing with Section 75) was signed into law. This act provides, among other things, for accelerated recognition and taxation of increases in realty property assessed valuation upon change in ownership of property or completion of new construction. Accordingly, each K-12 school district is to receive, on a timely basis and in proportion to its A.D.A. allocations of revenue from such accelerated taxation remaining after allocations to each redevelopment agency in the county and in accordance with various apportionment factors, to the county, the county superintendent of schools, and each community college district, each city and each special district within the county.

Budget Process

School districts are required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by The State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Pursuant to State Law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

Subsequent to approval, each county superintendent of schools throughout the fiscal year will monitor each school district pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a county superintendent of schools determines that a district cannot meet its current or subsequent year obligations, the county superintendent of schools will notify the district's governing board of the determination and the county superintendent of schools may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent of schools will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations, (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent of schools may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

At minimum, school districts file with their county superintendent of schools and the State Department of Education a First Interim Financial Report covering financial operations from July 1 through October 30 by December 15, and a Second Interim Financial Report covering financial operations from November 1 through January 31 by March 15. Each interim report will be deemed by the school board and the county superintendent of schools to be either (a) "unqualified," indicating no financial deficiencies with respect to State guidelines, (b) "qualified," including a deficiency or deficiencies with respect to State guidelines that require(s) remedy, or (c) "negative qualification," generally indicating a significant failure to provide for the districts financial obligations and a reason for intervention by the county superintendent of schools, as outlined in the previous paragraph. If either the First or Second Interim Report is not "unqualified," the county superintendent of schools may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1; if not required, a Third Interim Financial Report is not prepared. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed with the county superintendent of schools and the State Department of Education. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point.

County Investment Pool

In accordance with Education Code Section 41001, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer serves as ex officio treasurer for those school districts located within the county. Each county treasurer has

the authority to implement and oversee the investment of school district funds held in the county treasury. Generally, the county treasurer pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each county is required to invest funds, including those pooled funds described above, in accordance with Government Code Section 53600 et seq. In addition, many counties have established their own investment policies which are generally intended to provide further limitation beyond those required by the Government Code.

See "**COUNTY INVESTMENT POLICIES AND PRACTICES**" for a discussion of the Contra Costa County Investment Pool.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the State School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

California Energy Markets Disruption

California energy markets have experienced recent and severe disruption, resulting in markedly higher electricity and natural gas prices to most of California's residents and businesses. This section discusses generally the potential effects of the current energy situation on State revenues and expenditures and the State's economy, District revenues and expenditures, payment of property taxes by taxpayers in the District, investments of District and County funds pledged for repayment of the Bonds, and taxation of utility property.

When California's electric utility industry was deregulated, commencing in 1997, temporary price controls were established for retail electricity sales to consumers and businesses, while prices of wholesale electricity were allowed to fluctuate. The State's major investor-owned electric utilities are net buyers of electricity, and consequently have recently been forced to buy electricity on the spot market at a time when spot prices have increased sharply. Unable to raise prices on resale has caused the utilities to operate at significant and mounting net losses, to default on some obligations, and to threaten to declare bankruptcy, while electricity sellers have threatened to discontinue electricity sales to the utilities. In response, the Governor declared a state of emergency and, among other actions, has used the State's credit and General Fund to purchase electricity on the spot market and via long-term supply contracts. The State reports that between January 17, 2001, and February 14, 2001, it advanced \$1.2 billion for this purpose, and State purchases of electricity continue. Only a portion of this cost will be recouped from electricity consumers; the balance is expected to be made up from the sale of up to \$10 billion of State revenue bonds, to be repaid from consumer payments for electricity over an unspecified period of years. Numerous other proposals have been made in the State legislature to increase future State energy supplies, including State acquisition of energy generation and/or transmission facilities by purchase or eminent domain. It has also been proposed that the State acquire all or a portion of the utilities' electricity transmission lines in exchange for assistance to those companies. Several municipalities have also publicly debated municipal acquisition of investor-owned utility properties.

In the short term, continued State expenditures for purchases of energy and or energy production and transmission facilities will reduce State general funds available for other discretionary programs, including enhancements to K-12 education—the largest category of State expenditures. Energy expenditures by the State for its own operations will also reduce the amount of discretionary expenditures. Higher energy costs for businesses could reduce business income and therefore tax payments to the State. Over the longer term, increased energy costs on individuals and businesses Statewide, and the effect of such increased costs on the prices of other goods, services, transportation and housing, may reduce the attractiveness of the State for future investment and even induce business and individuals to relocate elsewhere.

The District is also facing higher energy costs. Recently, the State has been experiencing adverse conditions with regard to the cost of electricity throughout most of the State. The situation has resulted in the filing of bankruptcy by Pacific Gas & Electric ("PG&E"), the primary power supplier for northern California, and increased electricity billings for most users of electricity in California. The short and long-range impact of these developments are unknown, but the cost and availability of electricity has the potential to significantly affect economic development

throughout the State. Foreseeable impacts on the District include, but are not limited to, reductions in State funding to school districts as a result of expenditures by the State for supplies of electricity, non-payment of property taxes on property within the District owned by Pacific Gas & Electric or other electricity providers, and increased cost of electrical power for the operations of the District. The District is exploring energy conservation methods to offset some of the increases

The Bonds will be repaid from an *ad valorem* property tax required to be levied by the County in an amount sufficient for repayment of all principal and interest when due. The District has no way of predicting whether significantly higher costs for energy will cause some taxpayers to default on their property tax payments in the short run or the long run. In the short run, and for so long as the District and the Bonds are included in the County's Teeter Plan, taxes due from District taxpayers will be credited to the District's accounts, including to the interest and sinking fund for repayment of the Bonds, regardless of actual taxpayer defaults. See **"SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Tax Rates, Levies, Collections and Delinquencies"** herein. If the District were removed from the Teeter Plan due to excessive rates of taxpayer default, the County would still be responsible for setting a tax rate high enough to repay the Bonds after taking anticipated defaults into account, and any loss of local property tax income for the District's general operations would be made up by the State. See **"State Funding of Education,"** above.

The District's operating funds and proceeds of taxes held pending payment to bondholders are invested in the County's pooled investment fund. The County Treasurer is authorized to invest in bonds, notes and other instruments the value of which may be related directly or indirectly to the credit quality of the investor-owned utilities, the State, other California public agencies, banks or companies adversely affected by the situation described above. Information regarding specific investments held in the County's pooled investment fund has not been provided to the District, and inquiries concerning the investment portfolio should be directed to the County Treasurer.

The assessed value of taxable property in the District may also be affected by the energy situation and by actions taken in response to the situation. If the State or a local municipality buys or otherwise acquires property owned by a private, taxpaying utility, such property will be removed from the tax rolls. If locally taxed property were acquired by a utility and taxed as unitary property, the District could gain or lose assessed value, depending on how such assessed value is redistributed among taxing agencies in the County. Any loss of taxable property value in the District could require an increase in the tax rate levied on remaining taxpayers to repay the Bonds.

The District is unable to predict or to accurately analyze many of the risks and ramifications of the current energy situation and of the actions that may be taken by the State, other government agencies, private utility companies, taxpayers, or the County Treasurer in response, or what effect, if any, such actions may have on the timely repayment of the Bonds.

Availability of Documents

Additional public documents will be made available upon request through the District. Such public documents include periodic financial reports such as interim reports, approved budget and audited financial statements, and periodic reports on the Contra Costa County Investment Pool.

THE DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS — Security and Sources of Payment".

General Information

The District, unified in November, 1964, is located approximately 15 miles northeast of San Francisco, California and consists of approximately 110 square miles in western Contra Costa County. It provides educational

services to the residents of the cities of El Cerrito, Hercules, Pinole, Richmond and San Pablo, the unincorporated communities of El Sobrante and Kensington and certain other unincorporated areas in the County.

The District maintains 40 elementary schools, 5 middle/junior high schools, 1 middle/high school, 5 comprehensive high schools, 1 alternative high school, 6 continuation high schools, 1 specialized school serving independent study students, 1 adult education center, 2 special education sites and 9 state-funded preschools. The District plans to open a new middle/high school in August 2001 in the City of Hercules and a middle school in Richmond in August 2003. The pupil-teacher ratio in the District is 28:1.

Average Daily Attendance and Revenue Limit

The following table sets forth the average daily attendance based on the Second Period Report of Attendance for the past five years and an estimate for 2000/01:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT	
Average Daily Attendance	
<u>Academic Year</u>	<u>Average Daily Attendance</u>
1996/97	31,409 ⁽¹⁾
1997/98	32,002
1998/99	31,335 ⁽²⁾
1999/00	31,792 ⁽²⁾
2000/01	31,771 ⁽²⁾
2001/02	31,900 ⁽²⁾

Note: Includes grade levels K – 12 and special education.

⁽¹⁾ The State has chosen to audit the District's 1996/97 ADA as part of its statewide audit efforts of ADA

See the section below for a discussion of the State's preliminary audit findings and the District's response.

⁽²⁾ Beginning in 1998-99, the State changed the method of computing ADA to actual attendance only.

Source: The District.

The District's annual revenue limit per A.D.A. was \$4,481.20 for 2000/01 and is expected to be \$4,655.20 for 2001/02. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of Education" herein.

State Re-audit of District's ADA. The District is undergoing a re-audit of its ADA for the 1996/97 fiscal year as a result of the State's efforts to audit ADA statewide. The potential impact based on the State's preliminary adjustment of ADA is approximately \$2.3 million for 1996/97. This adjustment will affect all subsequent years for a total potential impact of approximately \$8.6 million for the past four years. An Administrative Law Judge hearing the District's appeal has concluded that the liability should be reduced to approximately \$1.75 million for 1996/97 with a cumulative payback of approximately \$7 million for the past four years. A panel consisting of one representative from each the State Department of Education, the State Department of Finance and the Fiscal Management Crisis Assistance Team will make the final determination on any potential impact. Though the State has approved a payback period of eight years, the District has established a reserve for this potential liability that contains \$3 million.

Appropriations Limit

The District has a 2000/01 appropriations limit of \$163,052,460 and had appropriations subject to the limit of \$163,052,460. The District projects a 2001/02 appropriations limit of \$170,040,040 and appropriations subject to the limit of \$170,040,040. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIII B" herein.

Lottery Income

The District's State lottery revenue is estimated to be \$4,130,000 for 2000/01 and is projected to be \$4,198,371 for 2001/02. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Lottery" herein.

Labor Relations

The District employs 1,804 full-time equivalent (FTE) certificated and 1,085 FTE classified employees including management and confidential employees. The following table summarizes the labor organizations in the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Labor Organizations		
<u>Labor Organization</u>	<u>Number of Employees ⁽¹⁾</u>	<u>Contract Expiration ⁽²⁾</u>
United Teachers of Richmond	2,761 full- and part-time	June 30, 2001
Public Employees Union, Local 1	2,751 full- and part-time	June 30, 2002
School Supervisors Association	77 full- and part-time	June 30, 2001
Administrators Association	108 full- and part-time	June 30, 2003

⁽¹⁾ Includes substitutes.
⁽²⁾ All contracts are subject to annual reopeners.

Source: The District.

Retirement Programs

The District participates in the State Teachers Retirement System ("STRS"). This plan covers all full-time certificated employees. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. The District's actual contribution to STRS for fiscal year 2000/2001 was \$8,397,307 and in fiscal year 2001/02 is expected to be \$9,007,399.

The District also participates in the State Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of covered service in PERS. The District's actual contribution to PERS for fiscal year 2000/2001 was \$0 and is projected to be \$0 for 2001/02. Due to robust investment income, the PERS Board has voted to set employee contribution at 0% for both years.

See the Notes to the District's audited financial statements, which are excerpted and contained in **APPENDIX A** for additional information concerning STRS and PERS.

Assessed Valuation

The historical secured and unsecured assessed valuation for the District is listed in the following table:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Five-Year Summary of Assessed Valuation				
<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1996/97	\$11,539,491,478	\$27,220,140	\$526,135,436	\$12,092,847,054
1997/98	11,323,304,579	30,775,028	507,359,356	11,861,438,963
1998/99	11,559,015,972	38,285,203	573,242,173	12,170,543,348
1999/00	12,166,311,974	38,694,311	605,325,851	12,810,332,136
2000/01	12,891,483,315	38,578,988	803,452,252	13,733,514,455

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

The secured historical tax levy and year-end delinquencies for all *ad valorem* taxes levied within the District's boundaries are shown in the following table:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies			
<u>Fiscal Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amount Delinquent as of June 30</u>	<u>Percent Delinquent June 30</u>
1995/96	\$162,510,719.26	\$4,334,764.78	2.67%
1996/97	163,995,715.60	4,754,533.30	2.90
1997/98	161,975,928.10	4,416,275.81	2.73
1998/99	164,796,928.88	4,514,971.68	2.74
1999/00	168,950,049.54	3,972,878.70	2.35

⁽¹⁾ All taxes collected by the County within the District.

Source: California Municipal Statistics, Inc.

Tax Rates

For taxing purposes, the State Board of Equalization has divided the area served by the District into tax rate areas ("TRA"). The largest TRA in the District is TRA 08001. TRA 08001 has a total 2000/01 assessed valuation of \$3,687,045,664 approximately 26.85% of the District's total assessed value. The components of the 2000/01 property tax rate levied in TRA 08001 are set forth below.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Tax Rate Components – TRA 08001

	<u>2000/01 Tax Rates</u>
County-wide Rate ⁽¹⁾	1.0000%
City of Richmond – Retirement	0.1400
East Bay Regional Park District	0.0065
West Contra Costa Unified School District 1998 Bonds	0.0204
Total	1.1669%

⁽¹⁾ Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the State Constitution.

Source: Contra Costa County Auditor-Controller's Office

Major Taxpayers

The 20 largest taxpayers in the District, as shown on the 2000/01 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the District, are shown below. Assessed valuation for the 20 largest taxpayers amounted to \$2,395,134,745 or approximately 18.58% of the District's total 2000/01 secured tax roll.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Major Taxpayers 2000/01

Name	Products/Services	2000/01 Assessed Valuation	% of Total ⁽¹⁾
Chevron USA Inc.	Industrial	\$1,656,340,376	12.85%
Berlex Laboratories Inc.	Industrial	127,824,170	0.99
ICI Americas Inc.	Industrial	71,822,697	0.56
Bio-Rad laboratories Inc.	Industrial	65,370,527	0.51
Burnham Pacific Operating Partnership	Shopping Center	58,350,110	0.45
Watch Holdings LLC	Apartments	52,877,960	0.41
Security Capital Pacific Trust	Apartments	41,865,112	0.32
California Fats & Oils Inc.	Industrial	32,778,913	0.25
Hilltop Commons LP	Apartments	27,471,631	0.21
Chronicle Publishing Company	Industrial	27,054,353	0.21
Richmond Associates	Shopping Center	26,569,896	0.21
MSC Pinole Steel Inc.	Industrial	26,078,311	0.20
Pt. Richmond R&D Associates II LLC	Industrial	24,820,462	0.19
Dayton Hudson Corporation	Shopping Center	23,680,810	0.18
Valacal Company	Industrial	22,779,000	0.18
Tosco Corporation	Industrial	22,301,650	0.17
Rafanelli and Nahas Gillette	Apartments	22,122,689	0.17
Richmond Marina Shores II	Apartments	22,114,122	0.17
Ladbroke San Pablo LP	Card House	21,897,629	0.17
Chevron Chemical Company	Industrial	21,014,329	0.16
		<u>\$2,395,134,745</u>	<u>18.58%</u>

⁽¹⁾ 2000/01 Total Local Secured Assessed Valuation: \$12,891,483,315.

Source: California Municipal Statistics, Inc.

Assessment District

On August 3, 1994, the District completed formation of a Maintenance and Recreation Assessment District ("MRAD") pursuant to the Landscape and Lighting Act of 1972. Annual assessments are \$72 per living unit (a single-family residence is a "living unit"; for multi-family housing the number of living units are assigned on a sliding scale according to the number of apartments in the complex). There are approximately 70,000 defined living units within the

MRAD. The District has received approximately \$5 million annually in assessment revenue since 1994/95. On November 5, 1996, the MRAD received over 2/3 majority approval at the general election. Although no assurances can be given, such election may exempt the District from the provisions of Proposition 218 "The Right to Vote on Taxes" initiative which became effective November 6, 1996. See **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Article XIII C and XIII D of the California Constitution."** The use of MRAD revenue is restricted to expenditures for recreation, lighting, and landscape operations and maintenance; it does not count towards the District's revenue limit and effectively relieves the District from funding these expenditures from general fund revenue. MRAD assessments must be levied annually by the District Board acting in its capacity as the MRAD governing board.

Comparative Financial Statements

The following table summarizes the District's general fund revenue, expenditures and fund balances from fiscal year 1997/98 through 2001/02, excluding revenue of approximately \$5 million annually from the District's MRAD and the corresponding expenditures:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT General Fund Revenues, Expenditures and Fund Balances (Excluding MRAD) 1997/98 through 2001/02 (In Thousands)					
	1997/98 <u>Actual</u> ⁽¹⁾	1998/99 <u>Actual</u> ⁽¹⁾	1999/2000 <u>Actual</u> ⁽¹⁾	2000/01 <u>Estimated</u> <u>Actual</u> ⁽²⁾	2001/02 <u>Budget</u> ⁽²⁾
REVENUE					
Revenue Limit Sources:	\$118,256	\$124,354	\$130,312	\$144,926	\$151,654
Federal Revenue	10,739	12,050	14,415	14,209	20,516
Other State Revenue	46,379	52,237	56,944	62,841	63,373
Other Local Revenue	<u>3,419</u>	<u>4,192</u>	<u>5,676</u>	<u>4,526</u>	<u>4,009</u>
TOTAL REVENUE ⁽³⁾	\$178,794	\$192,834	\$207,347	\$226,501	\$239,551
EXPENDITURES					
Certificated Salaries	\$ 85,684	\$90,179	\$99,038	\$111,412	\$114,743
Classified Salaries	26,370	27,020	28,370	33,184	34,455
Employee Benefits	29,898	30,704	31,202	34,029	39,232
Books and Supplies	7,051	8,268	8,390	11,130	11,090
Services/Other Operating Exp.	23,357	24,346	25,612	28,556	30,836
Capital Outlay	3,957	1,941	2,588	3,691	2,833
Other Outgo	1,130	2,214	2,451	3,142	3,209
Direct Support/Indirect Costs	(508)	(529)	(595)	(612)	(560)
Debt Service	<u>303</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>
TOTAL EXPENDITURES ⁽³⁾	\$177,243	\$184,443	\$197,356	\$224,832	\$236,138
EXCESS OF REVENUE OVER/ (UNDER) EXPENDITURES ⁽³⁾	1,551	8,390	9,991	1,670	3,414
OTHER FINANCING SOURCES/ (USES)					
Transfers In/ Other Sources	293	0	0	0	0
Transfers Out/ Other uses	<u>(3,424)</u>	<u>(2,889)</u>	<u>(4,733)</u>	<u>(6,843)</u>	<u>(3,019)</u>
TOTAL ⁽³⁾	(3,131)	(2,889)	(4,733)	(6,843)	(3,019)
BEGINNING FUND BALANCE, JULY 1	11,905	10,325	15,827	\$21,085	\$15,913
ENDING FUND BALANCE, JUNE 30 ⁽³⁾	\$ 10,325	\$15,827	\$21,085	\$15,913	\$16,306

⁽¹⁾ Excerpted from the District's respective Audited Financial Reports.

⁽²⁾ As of June 25, 2001.

⁽³⁾ Totals may not add due to independent rounding.

District Debt Structure

Tax and Revenue Anticipation Notes — The District issued 2001 Tax and Revenue Anticipation Notes dated August 22, 2001 due August 21, 2002 in the aggregate principal amount of \$23,000,000 at an interest rate of 3.25% (the "2001 Notes"). The principal amount of the 2001 Notes, together with interest thereon, will be payable from taxes, income, revenue and other moneys which are received by the District during fiscal year 2001/02 and which are generally available for the payment of current expenses and other obligations of the District.

Emergency Apportionment Loans — In July 1990, the District obtained an emergency apportionment loan from the State of California in the amount of \$9,525,000. In May of 1991, the District received an additional loan from the State of California for \$19,000,000. On June 30, 1993, the State agreed to restructure the payment of these loans by consolidating them into a single loan with a 15-year repayment period (the "State Loan"). Subsequent legislation, AB 437 signed by the Governor on October 13, 1997, amortizes the \$21,919,651 State Loan remaining after the February 1998 payment over 20 years. The revised State Loan payment schedule remaining is shown below.

See "PRIOR FINANCIAL HISTORY OF THE DISTRICT — Loans From the State of California", "—AB 535" and "—AB 437" herein.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Payment of State Loan

<u>Year Ending June 30</u>	<u>Amount Due</u>
2001	\$ 1,863,550
2002	1,863,550
2003	1,863,550
2004	1,863,550
2005	1,863,550
Thereafter	<u>24,226,165</u>
Total	<u>\$33,543,915</u>

General Obligation Bonds — On May 15, 2001, the District issued general obligation bonds (the "Election of 2000, Series A Bonds") in the amount of \$15,000,000 to fund construction and renovation of school sites. The interest rates range from 5.0% to 8.0%. Such bonds mature on August 1, 2031. Interest and principal payments are made semiannually and annually, respectively.

Following is a schedule of the principal and interest payments remaining on the Election of 2000 Series A Bonds:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Series A Bonds

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
February 1, 2002			\$612,665.63	\$612,665.63	
August 1, 2002			408,443.75	408,443.75	\$1,021,109.38
February 1, 2003			408,443.75	408,443.75	
August 1, 2003	\$ 260,000	8.000%	408,443.75	668,443.75	1,076,887.50
February 1, 2004			398,043.75	398,043.75	
August 1, 2004	275,000	8.000%	398,043.75	673,043.75	1,071,087.50
February 1, 2005			387,043.75	387,043.75	
August 1, 2005	285,000	8.000%	387,043.75	672,043.75	1,059,087.50
February 1, 2006			375,643.75	375,643.75	
August 1, 2006	300,000	8.000%	375,643.75	675,643.75	1,051,287.50
February 1, 2007			363,643.75	363,643.75	
August 1, 2007	315,000	8.000%	363,643.75	678,643.75	1,042,287.50
February 1, 2008			351,043.75	351,043.75	
August 1, 2008	330,000	8.000%	351,043.75	681,043.75	1,032,087.50
February 1, 2009			337,843.75	337,843.75	
August 1, 2009	345,000	6.875%	337,843.75	682,843.75	1,020,687.50
February 1, 2010			325,984.38	325,984.38	
August 1, 2010	360,000	5.000%	325,984.38	685,984.38	1,011,968.76
February 1, 2011			316,984.38	316,984.38	
August 1, 2011	370,000	5.000%	316,984.38	686,984.38	1,003,968.76
February 1, 2012			307,734.38	307,734.38	
August 1, 2012	385,000	5.000%	307,734.38	692,734.38	1,000,468.76
February 1, 2013			298,109.38	298,109.38	
August 1, 2013	400,000	5.000%	298,109.38	698,109.38	996,218.76
February 1, 2014			288,109.38	288,109.38	
August 1, 2014	415,000	5.000%	288,109.38	703,109.38	991,218.76
February 1, 2015			277,734.38	277,734.38	
August 1, 2015	435,000	5.000%	277,734.38	712,734.38	990,468.76
February 1, 2016			266,859.38	266,859.38	
August 1, 2016	455,000	5.000%	266,859.38	721,859.38	988,718.76
February 1, 2017			255,484.38	255,484.38	
August 1, 2017	475,000	5.000%	255,484.38	730,484.38	985,968.76
February 1, 2018			243,609.38	243,609.38	
August 1, 2018	495,000	5.000%	243,609.38	738,609.38	982,218.76
February 1, 2019			231,234.38	231,234.38	
August 1, 2019	515,000	5.125%	231,234.38	746,234.38	977,468.76
February 1, 2020			218,037.50	218,037.50	
August 1, 2020	540,000	5.125%	218,037.50	758,037.50	976,075.00
February 1, 2021			204,200.00	204,200.00	
August 1, 2021	565,000	5.000%	204,200.00	769,200.00	973,400.00
February 1, 2022			190,075.00	190,075.00	
August 1, 2022	595,000	5.000%	190,075.00	785,075.00	975,150.00
February 1, 2023			175,200.00	175,200.00	
August 1, 2023	625,000	5.000%	175,200.00	800,200.00	975,400.00
February 1, 2024			159,575.00	159,575.00	
August 1, 2024	655,000	5.000%	159,575.00	814,575.00	974,150.00
February 1, 2025			143,200.00	143,200.00	
August 1, 2025	685,000	5.000%	143,200.00	828,200.00	971,400.00
February 1, 2026			126,075.00	126,075.00	
August 1, 2026	720,000	5.125%	126,075.00	846,075.00	972,150.00
February 1, 2027			107,625.00	107,625.00	
August 1, 2027	755,000	5.125%	107,625.00	862,625.00	970,250.00
February 1, 2028			88,278.13	88,278.13	
August 1, 2028	795,000	5.125%	88,278.13	883,278.13	971,556.26
February 1, 2029			67,906.25	67,906.25	
August 1, 2029	840,000	5.125%	67,906.25	907,906.25	975,812.50
February 1, 2030			46,381.25	46,381.25	
August 1, 2030	880,000	5.125%	46,381.25	926,381.25	972,762.50
February 1, 2031			23,831.25	23,831.25	
August 1, 2031	930,000	5.125%	23,831.25	953,831.25	977,662.50
TOTAL	\$15,000,000		\$14,988,978.24	\$29,988,978.24	\$29,988,978.24

As hereinbefore stated, the Prior Bonds (which do not include the 2000 Series A Bonds) will be refunded with the proceeds of the Bonds.

Certificates of Participation — On May 15, 1988, the West Contra Costa Unified School District Financing Corporation (the "Corporation") issued certificates of participation (the "1988 Certificates") in order to provide additional working capital for the District's continuing operations. The 1988 Certificates were to be repaid solely from the semi-annual lease payments made to the Corporation under the terms of the lease-purchase agreement between the Corporation and the District.

On July 15, 1991, the District defaulted on its obligation to make payments under the lease-purchase agreement that secured the 1988 Certificates. In October 1993, the Education Code was amended to provide for the refunding of the 1988 Certificates by allowing the District to enter into a lease of its property and use the proceeds of such lease for the purpose of terminating the 1988 lease. On April 1, 1994, the Corporation issued certificates of participation in the aggregate principal amount of \$11,150,000 for such purpose (the "1994 Certificates"). The trustee, as assignee of the Corporation, will receive the following base rental payments remaining for the benefit of the owners of the 1994 Certificates:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
1994 Certificates of Participation

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$190,000	\$729,322	\$919,322
2003	200,000	716,088	916,088
2004	215,000	702,166	917,166
2005	235,000	687,041	922,041
Thereafter	<u>9,510,000</u>	<u>7,995,102</u>	<u>17,505,102</u>
Total	<u>\$10,350,000</u>	<u>\$10,829,719</u>	<u>\$21,179,719</u>

On January 7, 1999, the District issued variable rate demand certificates of participation in the aggregate principal amount of \$2,035,000 to finance in part the construction of a new central kitchen to serve all of the students in the District (the "1999 Variable Rate Certificates"). The final maturity of the 1999 Variable Rate Certificates is July 1, 2004. Interest with respect to the 1999 Variable Rate Certificates is payable quarterly on each January 1, April 1, July 1 and October 1 beginning April 1, 1999. The interest rate will be reset on Wednesday each week by the remarketing agent to equal the rate that, in the judgment of the remarketing agent, would equal the interest rate necessary to enable the remarketing agent to sell the 1999 Variable Rate Certificates on that day at one hundred percent (100%) of the principal amount thereof.

Following is a schedule of the principal payments remaining on the 1999 Variable Rate Certificates:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
1999 Variable Rate Certificates

<u>Year Ending June 30</u>	<u>Principal Payments</u>
2002	\$360,000
2003	375,000
2004	385,000
2005	<u>405,000</u>
Total	<u>\$1,525,000</u>

Voluntary Integration Program — The Voluntary Integration Program debt represents cost disallowances of \$7,652,000 based on State audits of program expenditures in fiscal years 1988/89 to 1989/90. Subsequently, the District entered into an agreement with the State to repay this amount to the Voluntary Integration Program beginning in June of 1993. During the 1992/93 fiscal year, the original agreement was restructured allowing the District to make the June 30, 1993 payment as scheduled, with the remaining balance scheduled to be paid over a longer period. Remaining payments of the Voluntary Integration Program debt are shown below:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Payment of the Voluntary Integration Program Debt

<u>Year Ending June 30</u>	<u>Annual Payments</u>
2002	\$300,000
2003	300,000
2004	300,000
2005	300,000
2006	300,000
2007	300,000
2008	790,000
2009	790,000
2010	1,000,000
2011	1,000,000
2012	<u>872,000</u>
Total	<u>\$6,252,000</u>

Computer Equipment Acquisition Loans — During the fiscal year 1989/90, the District financed the acquisition of an administrative and instructional computer system with a loan from IBM. The loan is secured by the acquired assets. Subsequent to June 30, 1993, the District restructured the debt allowing for one payment during fiscal year 1993/94 and the remaining payments in the aggregate amount of \$5,000,000 represented by \$2,921,551 of principal and \$2,078,449 of interest payable in fiscal years 2007/08 through 2010/11. The Pooled Money Investment Rate at June 30, 1993, of 4.402%, was used to impute the interest costs implicit in the repayment amounts.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
IBM Contract Payment Schedule

<u>Year Ending June 30</u>	<u>Amount Due</u>
2008	\$1,250,000
2009	1,250,000
2010	1,250,000
2011	<u>1,250,000</u>
Total	<u>\$5,000,000</u>

The restructuring agreement with IBM provides that if, prior to August 16, 2011, the District receives funding for the specific purpose of paying outstanding debts, the above amounts will be considered then-due for purposes of that payment, and amounts owing to IBM will be paid to the same extent as outstanding debts of other creditors.

Statement of Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds and outstanding certificates of participation. The following represents the total assessed valuation and the direct and overlapping bonded debt of the District as of May 1, 2001, according to California Municipal Statistics, Inc. The District makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc.

The first column in the table names the public agencies which have outstanding debt as of the date of the report and whose territories overlap the District. The second column shows the District's assessed valuation as a percentage of the total assessed value of each overlapping agency identified in the first column. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to property in the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Debt

2000/01 Assessed Valuation: \$13,733,514,555 (before deduction of redevelopment incremental valuation of \$2,320,249,367)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/01</u>
East Bay Municipal Utility District	12.647%	\$ 799,290
East Bay Municipal Utility District, Special District No. 1	5.959	2,673,803
West Contra Costa Unified School District	100.000	39,340,000 ⁽¹⁾
City of Hercules	89.244	531,002
East Bay Regional Park District	6.760	11,765,442
Richmond Redevelopment Community Facilities District No. 1998-1	100.000	4,500,000
City and County 1915 Act Bonds	100.000	57,942,372
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$117,551,909
Less: East Bay Municipal Utility District (100% self-supporting)		799,290
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$116,752,619
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Contra Costa County General Fund Obligations	15.211%	\$47,460,602
Contra Costa County Pension Obligations	15.211	45,979,050
Contra Costa County Board of Education Certificates of Participation	15.211	459,372
Contra Costa County Mosquito Abatement District Certificates of Participation	15.211	194,701
Alameda-Contra Costa Transit District Certificates of Participation	10.575	2,503,631
Contra Costa Community College District Certificates of Participation	15.221	224,510
West Contra Costa Unified School District Certificates of Participation	100.000	13,695,000
City of Hercules Certificates of Participation	89.244	4,953,042
City of Richmond General Fund Obligations	100.000	26,746,595
City of Richmond Pension Obligations	100.000	33,040,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$175,256,503
GROSS COMBINED TOTAL DEBT		\$292,808,412⁽²⁾
NET COMBINED TOTAL DEBT		\$292,009,122

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios of General Obligation Debt to 2000/01 Assessed Valuation:

Direct Debt (\$39,340,000)	0.29%
Total Gross Overlapping Tax and Assessment Debt	0.86%
Total Net Overlapping Tax and Assessment Debt	0.85%

Ratios of Combined Debt to Adjusted Assessed Valuation:

Combined Direct Debt (\$53,035,000)	0.46%
Gross Combined Total Debt	2.57%
Net Combined Total Debt	2.56%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/99: \$0

Source: California Municipal Statistics, Inc.

The direct general obligation bond debt of the District after issuance of the Bonds will be equal to 0.40% of the \$13.7 billion 200/01 assessed valuation of taxable property within the District. After issuance of the Bonds, the District's total amount of general obligation bonds outstanding will be \$54,340,000. The District's general obligation bonding capacity is limited under State law to an amount equal to 2.5% of the assessed valuation of taxable property within the District, or approximately \$343 million for fiscal year 2000/01.

COUNTY INVESTMENT POLICIES AND PRACTICES

The following information provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been prepared by the County for use as disclosure information on securities issues. The District assumes no responsibility for the accuracy or completeness of the information, nor has such information been audited by the District or its financial advisor. Further information may be obtained directly from the Treasurer.

In accordance with California Law, the District maintains substantially all of its cash in the Contra Costa County Treasury Investment Pool (the "County Pool"). The County pools the District's funds with those of the County and other districts in the County for investment purposes. Pooled funds in the County Pool are carried at cost, which approximates market value.

The Treasurer has authority to implement and oversee the investment of such funds in the County Pool in accordance with State Government Code Section 53600 et seq. The Treasurer accepts funds only from agencies located within the County. There are currently 40 participants in the County Pool, the largest being the County itself. As of June 30, 2001, the cost value of the County Pool was \$1,501,876,519 and the market value was \$1,507,479,394.

As of June 30, 2001, the County Pool had 58.15% of its assets managed by the Treasurer's office, 35.41% of its assets managed by outside contractors, and 6.44% in cash. Of those assets managed by the Treasurer's office 13.14% of the pool's assets are invested U.S. Treasury and U.S. Agency Securities; 45.01% in other money market instruments including repurchase agreements, banker's acceptances, commercial paper, negotiable certificates of deposit, medium term notes and time deposits, and 6.44% in cash. Of those assets managed by outside contractors 22.36% of its assets are invested with the Local Agency Investment Fund, which is managed by the State Treasurer's Office, and 13.05% are either in guaranteed investment contracts or managed by investment managers outside of the Treasurer's office. The following table summarizes the composition of the County Pool as of June 30, 2001.

CONTRA COSTA COUNTY TREASURY INVESTMENT POOL PORTFOLIO COMPOSITION (As of June 30, 2001)

<u>Type of Investment</u>	<u>Cost Value</u>	<u>Market Value</u>	<u>Percent of Total (Cost Value)</u>
Investments Managed by Treasurer's Office			
United States Treasury Securities	\$ 30,249,117.03	\$ 31,537,515.67	2.01%
United States Agencies Securities	167,188,597.36	169,104,149.97	11.13%
Money Market Instruments	676,082,739.65	676,826,771.47	45.01%
TOTAL	\$873,520,454.04	\$877,468,437.11	58.15%
Investments Managed by Outside Contractors			
Local Agency Investment Fund	\$335,751,478.59	\$336,502,730.92	22.36%
Other Investment Managers	196,049,193.89	196,952,833.29	13.05%
TOTAL	\$531,800,672.48	\$533,455,564.21	35.41%
Cash	<u>\$96,555,392.34</u>	<u>\$96,555,392.34</u>	<u>6.44%</u>
TOTAL	<u>\$1,501,876,518.86</u>	<u>\$1,507,479,393.66</u>	<u>100.00%</u>

Notes: 1) All reported information is unaudited but due diligence was utilized in its preparation.
2) In general, the Treasurer's records reflect booked costs at the beginning of a period.

As of June 30, 2001, the County Pool had an average maturity of 78 days with 93.43% of the portfolio maturing in less than one year, 3.99% in securities maturing in one to two years, 1.34% in securities maturing in two to three years, and 1.24% in securities maturing in more than three years. The following table summarizes the portfolio liquidity of the County Pool as of June 30, 2001.

**CONTRA COSTA COUNTY TREASURY INVESTMENT POOL
PORTFOLIO LIQUIDITY
(As of June 30, 2001)**

<u>Term to Maturity</u>	<u>Cost Value</u>	<u>Percent of Total (Cost Value)</u>
Less than 1 year	\$1,403,301,084	93.43%
1 years to 2 years	59,976,027	3.99
2 years to 3 years	20,090,360	1.34
3 years to 4 years	5,721,945	0.38
4 years to 5 years	11,659,585	0.78
Greater than 5 years ⁽¹⁾	1,127,517	0.08
Total	\$1,501,876,519	100.00%

⁽¹⁾ Represents bond proceeds of school districts in the County.

Notes: All reported information is unaudited but due diligence was utilized in its preparation.
In general, the Treasurer's records reflect booked costs at the beginning of a period.

The County Pool investment portfolio has no securities lending, reverse repurchase agreements, or derivatives. The County's current practice is for the County Treasurer to mark the portfolio to market on a monthly basis. The County performs such valuations. The County reports that it follows a "buy and hold" investment strategy and was not required to liquidate securities at a loss to meet disbursement requirements of the County Pool participants during the past fiscal year. The County reports that it expects the County Pool will have sufficient liquid funds to meet the disbursement requirements of its participants through the next six months.

PRIOR FINANCIAL HISTORY OF THE DISTRICT

General

The District experienced substantial financial difficulties beginning in 1986. These difficulties resulted in, among other things, the District filing for bankruptcy in April 1991 and failing to pay certain lease payments on the District's \$9,800,000 original aggregate principal amount of Certificates of Participation (1988 Financing Project) (the "1988 Certificates"). Since that time, all new Board of Education members have been elected and the Superintendent and certain other administrative officers of the District have been replaced, the District has implemented measures to improve its financial condition, has borrowed substantial amounts of money from the State and has cured the defaults with respect to, and defeased to maturity, the 1988 Certificates. No assurance can be given with respect to the future financial condition of the District.

Financial Difficulties

The District's financial difficulties resulted in part from an accumulation of several years of deficit spending, which began in fiscal year 1983/84. In 1986/87, the District overspent by \$2.6 million. In 1987/88, the District overspent by \$4.6 million and accumulated \$10.4 million in debt obligations. These circumstances contributed to the decision of the then-management of the District to execute and deliver the 1988 Certificates. In 1988/89 State auditors found that the District misspent \$7.7 million in Voluntary Pupil Integration funds provided by the State, increasing the District's debt obligations by \$11.5 million. In 1989/90, the District overspent by \$10 million and added \$19.3 million to its debt. In 1990/91, the District overspent by \$20 million and added \$33.3 million to its debt. The District ran out of funds and filed for federal bankruptcy protection in April 1991. These financial difficulties of the District are discussed in greater detail in the following sections.

The 1988 Certificates

The 1988 Certificates were executed and delivered to provide \$6,700,000 for deposit into the District's general fund to correct general fund budget deficits projected for the 1987/88 and 1988/89 fiscal years, as well as to provide \$800,000 for a computerized management system and \$1,000,000 for the construction of one multipurpose

room at three elementary schools. At the time of execution and delivery of the 1988 Certificates, the District viewed the primary causes of the deficits as increased expenditures for employee salaries due to an adverse arbitration award and less than anticipated revenues due to a shortfall in projected student enrollment. At that time, the District was considering several alternatives to eliminate future deficits, including negotiating a cap on future salary increases, pursuing joint ventures in connection with the development of surplus property, and reducing staff.

The District failed to make the lease payments due on July 15, 1991 and thereafter with respect to the 1988 Certificates, causing a default on the 1988 Certificates. Legislation provided for the refunding of the 1988 Certificates by allowing the District to enter into a lease of its property and use the proceeds of such lease for the purpose of terminating the 1988 Lease (see "Assembly Bill 536" below). In April 1994, the District executed and delivered \$11,150,000 original aggregate principal amount Certificates of Participation (1994 Refunding) (the "1994 Refunding Certificates"). The proceeds from the execution and delivery of the 1994 Refunding Certificates were sufficient to pay the outstanding principal amount of the 1988 Certificates, including principal payments in default, together with interest thereon, including interest payments in default, as well as legal expenses, interest and other costs related to the default. The District has made all payments as due on the 1994 Refunding Certificates and expects to continue to do so.

Loans From the State of California

The District encountered severe difficulties in attempting to produce a balanced budget for the 1989/90 fiscal year, resulting in a rejection of its proposed budget by the State in April 1990. In the following month, the District requested an emergency \$14 million loan from the State and on June 22, 1990, the governor signed Assembly Bill 171, which authorized a \$9.525 million loan. This loan was only sufficient to fund the District through the end of the 1990/91 fiscal year. The loan legislation required that a State trustee be appointed to oversee District operations. Other provisions of the legislation required the District to obtain an audit of its current financial condition, a management review and a financial recovery plan. See "**Management Changes**" below.

Notwithstanding the first loan from the State, a budget review by the District administration and auditors in October 1990 projected a \$21 million deficit and resulted in a request to the State for a second emergency loan. The April 1991 bankruptcy filing by the District (see "Bankruptcy of the District" below) and decision of the District Board to close the District's schools, together with lawsuits related to the school closure decision, led to a loan proposal coupled with financial accountability measures. In May 1991 a superior court approved a second loan from the State to the District in the amount of \$19 million. Conditions to the loan included suspension of the District Board's powers, establishment of a State appointed administrator of the District with the ability to set wages, benefits and terms and conditions of employment and to accelerate the collective bargaining process. See "**Management Changes**" below.

In June 1993, further legislation was enacted providing that the two loans from the State be consolidated into one debt. See "**Assembly Bill 535**" below. In October 1997, the State Loan remaining after the February 1998 payment was amortized over 20 years. See "**Assembly Bill 437**" below.

Bankruptcy of the District

Beginning in March 1988 the Contra Costa County Office of Education expressed concern over what it perceived as the District's potential insolvency and reliance on uncertain revenue sources. Two months after the issuance of the 1988 Certificates, a \$125 parcel tax initiative was defeated by voters. Audits by the State determined in early 1989 that \$9 million in Voluntary Pupil Integration Program funds received by the District had been inappropriately spent in fiscal years 1988/89 and 1989/90, and in July 1989 the District added \$8.75 million to its debt by signing a contract with IBM for instructional and business systems. These occurrences, among others, caused the rejection of the District's proposed 1989/90 budget by the State. Under State law, such a rejection mandated the establishment of a three-member State budget review committee to resolve the District's budget issues. In February 1990 the budget review committee, in a preliminary report, concluded that the District would end 1989/90 with a \$6.4 million deficit which would increase to a \$15 million deficit in 1990/91. The budget committee's efforts resulted in the rejection of the District's budget by the State in April 1990 and the subsequent District request for an emergency \$14 million loan from the State. See "**Loans From the State of California**" above. As to the budget process generally for school districts in California, see "**GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Budget Process**" herein.

A budget review by the District administration and auditors in October 1990 projected a \$21 million deficit and led to a request to the State for a second emergency loan. Officials of the State resisted loan legislation, and in April 1991 the District Board voted to proceed with a Chapter 9 bankruptcy filing, which occurred on April 18, 1991. Six days later, the board agreed to close schools effective April 1991. The school closure decision immediately generated lawsuits, one filed by concerned parents of students in the special education program asking that the program remain open, one by the California Teacher's Association alleging that the State allocates less money per student to those in the District over other similar districts, and a third by concerned parents alleging that their children were not being afforded a free and equal education as guaranteed by the California Constitution. Legal activity with respect to these lawsuits contributed to the decision of the State to provide a second loan to the District in the amount of \$19 million.

Dr. Fred Stewart, as the State-appointed trustee of the District, developed a balanced 1991/92 budget by providing for \$30 million in budget reductions, primarily through the layoff of 450 certified and 40 classified positions, the elimination of 40 administrative positions and a 9% salary reduction. The Contra Costa County Office of Education chose not to act on this budget, however, in part because the budget did not provide for payment of the 1988 Certificates or for the obligations of the District under the IBM contract.

The District withdrew from bankruptcy in November of 1991 upon determining that operation of the District while remaining under the bankruptcy proceeding did not result in economic advantages to the District.

Assembly Bill 535

Assembly Bill 535 ("AB 535") was signed by the Governor of the State on June 30, 1993. This legislation created the State Loan by providing that the loans of \$9,525,000 and \$19,000,000 made to the District in 1991 be consolidated into one outstanding debt, with an outstanding balance of \$30,313,895 as of September 1, 1993. See "**Loans From the State of California**" above. AB 535 provided for a 15-year payment schedule for the State Loan with an interest rate of 4.543% per annum with payments due on February 1 of each year and a final payment on February 1, 2007. Such payment structure was amended by Assembly Bill 437 which amortized the State Loan remaining after the February 1998 payment over a 20 year period (see "**AB 437**" below). In the event payment is not made within 60 days after the scheduled payment date, AB 535 provides that the State Controller will pay the defaulted payment by withholding that amount from the next available payment that would otherwise be made to the District as a State apportionment (see "**GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of Education**"). AB 535 additionally provides that proceeds from the sale of surplus property owned by the District may be used to generate money to pay the State Loan.

Under AB 535, moneys sufficient to pay the District's payment obligations under the State Loan as they become due are a superior claim on the District's State apportionment and may reduce the amount of State apportionment moneys available for the AB 536 Intercept (see "**AB 536**" below) or for the Notes.

Assembly Bill 536

On October 1, 1993, the Governor of the State signed Assembly Bill 536 ("AB 536"). This legislation provided for the refunding of the 1988 Certificates by allowing the District to enter into a lease of its property and use the proceeds of such lease for the purpose of terminating the lease on the 1988 Certificates. AB 536 also established an intercept program with the State (the "AB 536 Intercept") wherein the trustee of the 1994 Refunding Certificates may notify the State Controller that one or more of the lease payments due under the lease related to the 1994 Refunding Certificates (the "Base Rental Payments") has not been paid. Upon such notification by April 1 for Base Rental Payments due July 1 and by October 1 for Base Rental Payments due January 1, the State Controller will pay to the Trustee from the District's next available State apportionment entitlement the defaulted rental payment no later than on its respective due date. The payment by the State Controller may not exceed the amount of any apportionment entitlement of the District to moneys in the State School Fund, less any payments required in that fiscal year to pay any State loans made to the District (including the State Loan). The State Controller will withhold the amount of any payment made under AB 536, which will include reimbursement of the State Controller's administrative costs as determined under a schedule approved by the California Debt Advisory Commission, from the next available payment that would otherwise be made by the State to the District as a State apportionment from the State School Fund.

The AB 536 Intercept is only available to pay defaulted Base Rental Payments which the District is legally obligated to pay and therefore does not apply to Base Rental Payments which have been abated or are otherwise not payable under the terms of the Lease Agreement of the 1994 Refunding Certificates or under applicable laws, or to

any other obligations of the District, including the Notes. Moneys available to pay Base Rental Payments under the AB 536 Intercept do not constitute a guarantee by the State. The AB 536 Intercept provides a method whereby moneys otherwise payable to the District as its State apportionment may be diverted to the Trustee to pay Base Rental Payments and the availability of the AB 536 Intercept is limited to the amount available to the District as a State apportionment at the time the Trustee of the 1994 Refunding Certificates requests money under the AB 536 intercept program. As to apportionments generally, see "**GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of Education**" herein.

Assembly Bill 437

On October 13, 1997, the Governor signed into law Assembly Bill 437, which amortized the State Loan remaining of \$21,919,651 after the February 1998 payment over a 20-year period. The remaining annual payments will be due February 1 of each year through February 1, 2018. This legislation will facilitate the District's class size reduction program implementation. Annual payments will be approximately \$1.8 million thereby giving the District relief from selling surplus property to make balloon payments on the State Loan every three years. Some properties designated as surplus will be used to implement class size reduction while others will be sold to pay the State Loan payments and other District debt.

Management Changes

As a condition of the \$9.525 million first State loan, a State trustee was appointed to oversee District operations with the power to stay or rescind any action of the District Board, which might have an adverse effect on the financial condition of the District. On July 1, 1990, Dr. Fred Stewart was named as the State trustee. Soon thereafter Walter Marks resigned as Superintendent of the District, a position held by him since July 1987. Conditions of the second State loan included suspension of the District Board's powers, establishment of a State appointed administrator of the District with the ability to set wages, benefits and terms and conditions of employment and requirements to accelerate the collective bargaining process. The powers and duties of the District Board were suspended effective May 3, 1991 and the State appointed Dr. Fred Stewart as the District Administrator.

Upon withdrawal of the District from bankruptcy in November 1991, the search for a superintendent commenced, leading to the hiring of Dr. Herbert Cole, who served as superintendent from April 1992 until his retirement on January 31, 1999. Dr. Gloria L. Johnston was selected to succeed Dr. Cole as superintendent of the District in February, 1999. Dr. Johnston brings a wealth of experience to the position having served as superintendent of the Banning Unified School District in Riverside County, California and as director, learning support services at the Poway Unified School District in San Diego County. Dr. Fred Stewart remains as State trustee for the District. A State trustee will remain with the power to stay or rescind any action of the District Board that might have an adverse effect on the financial condition of the District until the State Loan has been paid.

The Five-Year Plan

Under legislation providing for the first State loan to the District (described in "**Loans From the State of California**" above) the District was required to produce a financial recovery plan, resulting in the adoption of the Five-Year Plan by the District Board in February 1992. The Five-Year Plan includes the following major components: (a) an agreement to develop a balanced budget for 1992/93; (b) an agreement to update the Five-Year Plan on an annual basis; and (c) an agreement to develop a comprehensive Education Plan (as described in the Five-Year Plan) consistent with the approved Five-Year Plan.

ECONOMIC PROFILE

Introduction

The District is located in western Contra Costa County. Cities within the District include El Cerrito, Hercules, Pinole, Richmond and San Pablo; also, within the District are certain unincorporated areas, including the communities of El Sobrante and Kensington. The County is situated northeast of San Francisco, bounded by San Francisco and San Pablo bays to the west and north, the Sacramento River delta to the north, San Joaquin County to the east, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western

portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part of the County is also undergoing substantial change, from a rural, agricultural area to a suburban region. The County has extensive and varied transportation facilities - ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco. These advantages, combined with a mild climate and available land, make Contra Costa County attractive for industrial and residential development.

Population

The following table summarizes the population statistics for the County and Cities within the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Population of County and Cities within the District ⁽¹⁾

Year	Contra Costa County	City of El Cerrito	City of Hercules	City of Pinole	City of Richmond	City of San Pablo
1970	555,805	25,190	252	13,266	79,043	21,461
1980	656,380	22,731	5,963	14,253	74,676	19,750
1990	797,600	22,900	16,500	17,000	86,700	24,700
1999	924,400	24,000	19,400	18,750	94,600	26,950
2000	930,000	23,850	19,550	18,650	94,400	26,850

⁽¹⁾ Excludes population statistics of unincorporated territory within the District.

Source: 1970 - 1990: U.S. Bureau of Census; 1999 - 2000: State Department of Finance, Demographic Research Unit, as of January 1 of each year.

Employment

The following table summarizes historical employment and unemployment in the County. Such information is not seasonally adjusted and is based on the 2000 Benchmark.

CONTRA COSTA COUNTY Civilian Labor Force, Employment and Unemployment Annual Averages

	1996	1997	1998	1999	2000
Civilian Labor Force ⁽¹⁾					
Employment	437,000	453,200	462,600	475,300	491,100
Unemployment	22,500	19,600	17,300	14,800	13,700
Total	459,500	472,800	479,900	490,100	504,800
Unemployment Rate ⁽²⁾	4.9%	4.1%	3.6%	3.0%	2.7%

⁽¹⁾ Based on place of residence.

⁽²⁾ The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department, Labor Market Information Division.

The following table summarizes the historical number of workers by industry in the Oakland Metropolitan Statistical Area (MSA), which includes Alameda and Contra Costa Counties.

OAKLAND MSA
Estimated Number of Wage and Salary Workers by Industry

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Agricultural	2,100	2,100	1,900	2,300	3,400
Mining & Construction	48,800	52,100	56,000	62,800	67,500
Manufacturing	114,600	120,100	121,300	117,600	122,000
Transportation & Public Utilities	58,500	60,900	62,500	63,300	64,700
Wholesale Trade	55,500	59,100	63,000	67,100	67,700
Retail Trade	152,500	153,200	157,300	164,100	168,300
Finance, Insurance & Real Estate	52,100	54,600	55,400	57,000	57,800
Services	266,200	279,900	291,800	303,000	322,000
Government	<u>168,200</u>	<u>167,900</u>	<u>168,900</u>	<u>173,000</u>	<u>176,600</u>
Total All Industries	<u>918,500</u>	<u>949,900</u>	<u>978,100</u>	<u>1,010,200</u>	<u>1,050,000</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

March 2000 benchmark.

Source: California Employment Development Department.

Largest Employers

The following table summarizes the largest employers in the East Bay, which includes Alameda and Contra Costa Counties.

EAST BAY: ALAMEDA AND CONTRA COSTA COUNTIES
Largest Employers

<u>Employer</u>	<u>Products/Services</u>	<u>Number of Employees⁽¹⁾</u>
U.S. Postal Service	Postal Services and Products	10,600
Pacific Bell	Telecommunications	10,000
University of California	Public Research University	9,30 ⁽²⁾
Lawrence Livermore National Laboratory	Scientific Research and Development	8,229
Kaiser Permanente	Managed Health Care	8,000
Contra Costa County	County Government	8,000
Alameda County	County Government	7,300
Bank of America	Financial Services	7,081
Chevron Corp.	Energy: Oil and Gas	6,586
Oakland Unified School District	Public Education	5,781
Pacific Gas and Electric Co.	Gas and Electric Services	5,200
The Clorox Co.	Household Products	5,000
New United Motor Manufacturing	Automobile Manufacturer	4,900
Lucky Stores and Sav-on Drug	Retail Food and Drug Stores	4,63 ⁽²⁾
Safeway Inc.	Retail Grocery	3,500
Wells Fargo Bank	Commercial Bank	3,030
City of Oakland	City Government	3,000
John Muir Medical Center	Health Care/Hospitals	2,882
Lawrence Berkeley National Laboratory	Scientific Research	2,800
Lam Research Corp.	Semiconductors	2,750

⁽¹⁾ Based on number of employees in the East Bay in 1998.

⁽²⁾ Based on 1997 figures.

Source: *San Francisco Business Times, Book of Lists 2000.*

Commercial Activity

The following table summarizes historical taxable transactions in Contra Costa County.

CONTRA COSTA COUNTY Taxable Transactions (Dollars in Thousands)		
<u>Year</u>	<u>Outlets⁽¹⁾</u>	<u>Taxable Transactions</u>
1996	24,451	\$8,575,704
1997	23,643	9,277,418
1998	23,093	10,093,690
1999	22,733	11,114,476
2000	22,674	5,942,693 ⁽²⁾

⁽¹⁾ As of July 1.

⁽²⁾ First and Second Quarters of 2000 only.

Source: State Board of Equalization.

The following table summarizes historical taxable transactions in the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Taxable Transactions for Cities in the District ⁽¹⁾ - All Outlets (Dollars in Thousands)					
<u>City</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000⁽²⁾</u>
El Cerrito	\$171,168	\$175,419	\$180,873	\$204,716	\$108,231
Hercules	49,334	57,933	55,946	63,066	34,485
Pinole	192,955	203,507	219,455	239,778	124,675
Richmond	708,121	780,507	860,825	1,026,829	531,741
San Pablo	108,206	109,352	109,435	126,676	68,886

⁽¹⁾ Excludes taxable transactions occurring in unincorporated territory within the District.

⁽²⁾ First and Second Quarters of 2000 only.

Source: State Board of Equalization.

Median Household Income

Effective Buying Income (EBI) is defined as money income less personal income tax and non-tax payments, such as fines, fees or penalties. Median household EBI for the County is shown in the table below.

CONTRA COSTA COUNTY Median Household Effective Buying Income		
<u>Year</u> ⁽¹⁾	<u>Contra Costa County</u>	
1997	\$46,468	
1998	48,476	
1999	49,645	
2000	53,234	
2001	60,189	

⁽¹⁾ As of January 1.

Source: "Survey of Buying Power," *Sales and Marketing Management Magazine*.

Building Activity

Shown below is a history of residential building activity in the County:

CONTRA COSTA COUNTY Residential Building Permit Valuation (Dollars In Thousands)		
<u>Year</u>	<u>Residential Permits</u>	<u>Residential Valuation</u>
1996	3,530	\$ 580,506
1997	3,464	608,342
1998	4,142	738,939
1999	4,413	852,256
2000	4,763	841,990

Source: "California Building Permit Activity," Economic Sciences Corporation.

Shown below is a history of building activity for cities in the District:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
2000 Building Permit Valuation for Cities in the District ⁽¹⁾
(Dollars in Thousands)

<u>City</u>	<u>Residential Units</u>	<u>Residential Valuation</u>
El Cerrito	10	\$ 2,616
Hercules	57	12,962
Pinole	70	15,976
Richmond	267	44,626
San Pablo	90	8,542

⁽¹⁾ Excludes building permit valuation for unincorporated territory within the District.

Source: "California Building Permit Activity," Economic Sciences Corporation.

TAX EXEMPTION

Delivery of the Bonds is subject to the opinion of Best Best & Krieger LLP, Bond Counsel, that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Separate opinions will be delivered with respect to each series of the Bonds. A complete form of the Opinion of Bond Counsel is set forth in APPENDIX B and will be printed on the Bonds. The opinion of Bond Counsel is based on an analysis of existing laws, regulations, rulings and court decisions, and assume among other matters, continuing compliance with certain covenants described below.

The Internal Revenue Code of 1986, as amended, imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the recipient's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

VERIFICATIONS

Grant Thornton, LLP, independent certified public accountants, will verify the arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to (i) the sufficiency of amounts deposited under the Escrow Agreements to pay all principal of and interest due and payable on the Prior Bonds, and (ii) certain yield calculations. Such computations were based solely on assumptions and information supplied on behalf of the District. Grant Thornton, LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data use, the reasonableness of the assumptions, or the achievability of future events.

CERTAIN LEGAL MATTERS

Absence of Litigation

At the time of payment for and delivery of the Bonds, the Underwriter will be furnished with a certificate of the District that to the best knowledge of the officer of the District executing the same that there is no litigation pending or threatened, affecting the validity of the Bonds.

Legal Opinions

Legal matters incident to the issuance of the Bonds are subject to the approving opinion of Best Best & Krieger LLP, Bond Counsel. In addition, certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, and Harrison, Taylor & Bazile, co-counsel to the District.

ENFORCEABILITY OF REMEDIES

The remedies available to the Paying Agent and the registered owners of the Bonds upon an event of default under the Resolution and any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

UNDERWRITING

The Bonds are being purchased for reoffering by Kinsell, Newcomb & DeDios, Inc. (the "Underwriter"). For its services rendered in connection with the issuance of the Bonds, and pursuant to additional agreements and hedging transactions related thereto, the Underwriter will earn an underwriting fee equal to approximately 1.35% of the aggregate principal amount of the Bonds. The contract of purchase pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District not later than nine months after the end of the District's fiscal year (presently June 30) in each year commencing with its report for the 2000-2001 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District or its designee with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the District or its designee with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the District is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATINGS

At the time of payment for and delivery of the Bonds, it is expected that Standard & Poor's Corporation and Moody's Investors Service, Inc. will assign their municipal bond ratings of "AAA" and "Aaa", respectively, to each series of the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on each series of the Bonds will be issued by MBIA Insurance Corporation. Furthermore, Standard & Poor's Corporation will assign the Bonds an underlying rating of "A-". There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the applicable rating agency, if in such judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

At the time of delivery and payment for the Bonds, an authorized representative of the District will deliver a certificate stating that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

The delivery of this Official Statement has been authorized by the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

By: /s/ Vince Kilmartin _____
Authorized Officer

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR FISCAL YEAR 1999-00**

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KATHLEEN CONNELL
Controller of the State of California

Board of Trustees
West Contra Costa Unified School District
1108 Bissell Avenue
Richmond, California 94801-3160

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

The State Controller's Office has audited the accompanying general-purpose financial statements of the West Contra Costa Unified School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the West Contra Costa Unified School District's management. The Controller's Office's responsibility is to express an opinion on the general-purpose financial statements based on this audit.

The Controller's Office conducted its audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require the Controller's Office to 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. The Controller's Office believes that the audit provides a reasonable basis for its opinion.

The district has not maintained a record of its general fixed assets. Accordingly, a statement of the general fixed assets account group, as well as a statement of changes in general fixed assets, are not included in the financial statements, as required by generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

Because of the lack of internal controls and insufficient records of transactions involving student body funds and expendable trust (scholarship) funds, the ending fund balances have not been audited and, therefore, are not included in the financial statements, as required by generally accepted accounting principles. The amount that should be recorded is not known.

In the Controller's Office's opinion, except for the effects on the financial statements of the omissions described in the two preceding paragraphs, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the West Contra

Costa Unified School District as of June 30, 2000, and the results of its operations, and the cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, the Controller's Office has also issued its report dated November 28, 2000, on the Controller's Office's consideration of the West Contra Costa Unified School District's internal control over financial reporting and the Controller's Office's tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The State Controller's audit was performed for the purpose of forming an opinion on the combined general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of West Contra Costa Unified School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general purpose financial statements of West Contra Costa Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in the Controller's Office's opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



JEFFREY V. BROWNFIELD, CPA, Chief
Division of Audits

November 28, 2000

General Purpose Financial Statements

Exhibit 1

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Expendable Trust	Long-Term Debt	
Assets								
Cash in county treasury (Note 2)	\$ 13,355,245	\$ 3,757,789	\$ 1,156,465	\$ 19,553,308	\$ 611,137	\$ 80,278	-	\$ 38,514,222
Cash on hand and in banks (Note 2)	-	113,113	-	-	-	-	-	113,113
Cash collections awaiting deposit (Note 2)	26,611	1,400	-	-	-	-	-	28,011
Cash in revolving fund (Note 2)	70,000	-	-	-	-	-	-	70,000
Cash with fiscal agent (Note 2)	-	2,506,334	1,389,852	939,876	-	-	-	4,836,062
Investments (Note 2)	29,089,483	2,125,189	4,516,556	21,636,484	1,293,679	-	-	58,661,391
Accounts receivable (Note 4)	12,564,085	1,438,410	9,610	382,737	22,100	-	-	14,416,942
Due from other funds (Note 5)	-	-	46,852	400,000	-	5,202,400	-	5,649,252
Stores inventories - supplies (Note 1G2)	547,648	-	-	-	-	-	-	547,648
Stores inventories - food (Note 1G2)	-	406,948	-	-	-	-	-	406,948
Amount available in debt service fund	-	-	-	-	-	-	\$7,104,571	7,104,571
Amount to be provided for retire- ment of general long-term debt	-	-	-	-	-	-	69,655,267	69,655,267
Total assets	\$ 55,653,072	\$ 10,349,183	\$ 7,119,335	\$ 42,912,405	\$ 1,926,916	\$ 5,282,678	\$ 76,759,838	\$ 200,003,427
Liabilities and fund equity								
Liabilities:								
Accounts payable	\$ 6,552,859	\$ 992,322	\$ 14,764	\$ 2,717,865	\$ 221,824	\$ 32,692	-	\$ 10,532,326
Liability for open claims (Note 6)	-	-	-	-	1,440,000	-	-	1,440,000
Due to other funds (Note 5)	500,000	1,602,400	-	3,546,852	-	-	-	5,649,252
Deferred revenue (Note 1G4)	6,422,784	862,231	-	-	-	-	-	7,291,015
Tax revenue anticipation note (Note 7)	20,512,500	-	-	-	-	-	-	20,512,500
General obligation bond (Note 8)	-	-	-	-	-	-	\$ 29,780,000	29,780,000
Emergency apportionment loan (Note 9)	-	-	-	-	-	-	20,652,828	20,652,828
Certificates of participation (Note 10)	-	-	-	-	-	-	14,290,000	14,290,000
Voluntary integration program audit exceptions (Note 11)	-	-	-	-	-	-	6,552,000	6,552,000
Computer equipment acquisition loans (Note 12)	-	-	-	-	-	-	3,324,603	3,324,603
Compensated absences (Note 1G5)	573,589	-	-	-	-	-	1,516,770	2,090,359
Capital lease obligations (Note 13)	-	-	-	-	-	-	643,637	643,637
Total liabilities	34,567,732	3,456,953	14,764	6,264,717	1,661,824	32,692	76,759,838	122,758,520
Fund equity:								
Retained earnings	-	-	-	-	265,092	-	-	265,092
Reserved for revolving fund	70,000	-	-	-	-	-	-	70,000
Reserved for stores inventories	547,648	406,948	-	-	-	-	-	954,596
Reserved for legally restricted balances	4,538,365	-	-	-	-	-	-	4,538,365
Reserved for debt service	-	-	7,104,571	-	-	-	-	7,104,571
Designated for GO Bond Projects	-	-	-	13,900,000	-	-	-	13,900,000
Designated for Hercules High	-	-	-	15,000,000	-	-	-	15,000,000
Designated for economic uncertainties	4,400,000	-	-	-	-	-	-	4,400,000
Designated for administrative carryover	3,641,390	-	-	-	-	-	-	3,641,390
Designated for MRAD/ other	109,097	-	-	-	-	-	-	109,097
Designated for audit reserve	3,000,000	-	-	-	-	-	-	3,000,000
Undesignated fund balance	4,778,840	6,485,282	-	7,747,688	-	5,249,986	-	24,261,796
Total fund equity	21,085,340	6,892,230	7,104,571	36,647,688	265,092	5,249,986	-	77,244,907
Total liabilities and fund equity	\$ 55,653,072	\$ 10,349,183	\$ 7,119,335	\$ 42,912,405	\$ 1,926,916	\$ 5,282,678	\$ 76,759,838	\$ 200,003,427

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

All Governmental Fund Types and Expendable Trust Fund

Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Revenue limit sources:						
State apportionments	\$ 70,287,674	\$ 2,455,523	-	-	-	\$ 72,743,197
Local sources	60,024,381	1,005,760	-	-	-	61,030,141
Federal	14,414,594	6,053,304	-	-	-	20,467,898
Other state	56,943,594	1,177,896	\$ 37,756	-	-	58,159,246
Other local	5,676,322	8,011,052	1,967,433	\$ 4,409,969	\$ 6,006,208	26,070,984
Total revenues	207,346,565	18,703,535	2,005,189	4,409,969	6,006,208	238,471,466
Expenditures:						
Certificated salaries	99,037,899	2,070,810	-	-	-	101,108,709
Classified salaries	28,369,881	6,572,437	-	72,848	-	35,015,166
Employee benefits	31,202,122	1,944,128	-	11,624	5,492,352	38,650,226
Books & supplies	8,389,873	3,954,419	-	8,674	-	12,352,966
Services and other operating expenditures	25,611,994	1,064,940	-	6,813,631	4,560	33,495,125
Capital outlay	2,587,895	6,884,629	-	18,537,689	-	28,010,213
Other outgo	2,451,022	569,746	-	6,287	-	3,027,055
(Direct support)/indirect costs	(595,111)	595,111	-	-	-	-
Debt service:						
Principal	300,000	165,000	1,035,940	201,363	-	1,702,303
Interest	-	58,368	2,988,305	94,459	-	3,141,132
Total expenditures	197,355,575	23,879,588	4,024,245	25,746,575	5,496,912	256,502,895
Excess (deficiency) of revenues over (under) expenditures	9,990,990	(5,176,053)	(2,019,056)	(21,336,606)	509,296	(18,031,429)
Other financing sources (uses):						
Operating transfers in (Note 5)	-	998,074	2,659,171	1,075,800	-	4,733,045
Proceeds from sale of bonds	-	-	-	10,000,000	-	10,000,000
Proceeds from capital lease	-	-	-	770,000	-	770,000
Proceeds from sale/lease purchase of land/buildings	-	-	300,000	22,500	-	322,500
Operating transfers out (Note 5)	(4,733,045)	-	-	-	-	(4,733,045)
Total other financing sources (uses)	(4,733,045)	998,074	2,959,171	11,868,300	-	11,092,500
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	5,257,945	(4,177,979)	940,115	(9,468,306)	509,296	(6,938,929)
Fund balances, July 1, 1999	15,327,395	11,070,209	6,164,456	46,115,994	4,740,690	83,918,744
Fund balances, June 30, 2000	\$ 21,085,340	\$ 6,892,230	\$ 7,104,571	\$ 36,647,688	\$ 5,249,986	\$ 76,979,815

The notes to the financial statements are an integral part of this statement.

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual All Governmental Fund Types and Expendable Trust Fund Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Revenue limit sources:						
State apportionments	\$ 70,738,784	\$ 70,287,674	\$ (451,110)	\$ 2,342,518	\$ 2,455,523	\$ 113,005
Local sources	59,518,863	60,024,381	505,518	1,030,762	1,005,760	(25,002)
Federal	14,908,746	14,414,594	(494,152)	5,674,870	6,053,304	378,434
Other state	56,433,678	56,943,594	509,916	2,805,388	1,177,896	(1,627,492)
Other local	4,862,400	5,676,322	813,922	8,238,677	8,011,052	(227,625)
Total revenues	206,462,471	207,346,565	884,094	20,092,215	18,703,535	(1,388,680)
Expenditures:						
Certificated salaries	99,415,423	99,037,899	377,524	1,983,323	2,070,810	(87,487)
Classified salaries	28,442,403	28,369,881	72,522	6,462,398	6,572,437	(110,039)
Employee benefits	32,156,499	31,202,122	954,377	1,931,723	1,944,128	(12,405)
Books & supplies	9,258,351	8,389,873	868,478	4,080,905	3,954,419	126,486
Services and other						
operating expenditures	25,828,652	25,611,994	216,658	1,102,071	1,064,940	37,131
Capital outlay	2,540,089	2,587,895	(47,806)	6,744,541	6,884,629	(140,088)
Other outgo	2,617,711	2,451,022	166,689	592,520	569,746	22,774
(Direct support)/indirect costs	(500,000)	(595,111)	95,111	500,000	595,111	(95,111)
Debt service:						
Principal	2,123,787	300,000	1,823,787	165,000	165,000	-
Interest	-	-	-	436,234	58,368	377,866
Total expenditures	201,882,915	197,355,575	4,527,340	23,998,715	23,879,588	119,127
Excess (deficiency) of revenues over (under) expenditures	4,579,556	9,990,990	5,411,434	(3,906,500)	(5,176,053)	(1,269,553)
Other financing sources (uses):						
Operating transfers in (Note 5)	-	-	-	750,000	998,074	248,074
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-	-
Proceeds from sale/lease purchase of land/buildings	-	-	-	-	-	-
Operating transfers out (Note 5)	(3,625,800)	(4,733,045)	(1,107,245)	-	-	-
Total other financing sources (uses)	(3,625,800)	(4,733,045)	(1,107,245)	750,000	998,074	248,074
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	953,756	5,257,945	4,304,189	(3,156,500)	(4,177,979)	(1,021,479)
Fund balances, July 1, 1999	15,827,395	15,827,395	-	11,070,209	11,070,209	-
Fund balances, June 30, 2000	\$ 16,781,151	\$ 21,085,340	\$ 4,304,189	\$ 7,913,709	\$ 6,892,230	\$ (1,021,479)

The notes to the financial statements are an integral part of this statement.

Exhibit 3

Capital Projects			Expendable Trust Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	-	-	\$ 73,081,302	\$ 72,743,197	\$ (338,105)
-	-	-	-	-	-	60,549,625	61,030,141	480,516
-	-	-	-	-	-	20,583,616	20,467,898	(115,718)
-	-	-	-	-	-	59,239,066	58,121,490	(1,117,576)
\$ 3,090,000	\$ 4,409,969	\$ 1,319,969	\$ 6,006,028	\$ 6,006,208	\$ 180	22,197,105	24,103,551	1,906,446
3,090,000	4,409,969	1,319,969	6,006,028	6,006,208	180	235,650,714	236,466,277	815,563
-	-	-	-	-	-	101,398,746	101,108,709	290,037
58,000	72,848	(14,848)	-	-	-	34,962,801	35,015,166	(52,365)
9,840	11,624	(1,784)	5,402,095	5,492,352	(90,257)	39,500,157	38,650,226	849,931
9,600	8,674	926	-	-	-	13,348,856	12,352,966	995,890
7,074,500	6,813,631	260,869	-	4,560	(4,560)	34,005,223	33,495,125	510,098
16,975,498	18,537,689	(1,562,191)	-	-	-	26,260,128	28,010,213	(1,750,085)
7,552	6,287	1,265	-	-	-	3,217,783	3,027,055	190,728
-	-	-	-	-	-	-	-	-
126,363	201,363	(75,000)	-	-	-	2,415,150	666,363	1,748,787
33,637	94,459	(60,822)	-	-	-	469,871	152,827	317,044
24,294,990	25,746,575	(1,451,585)	5,402,095	5,496,912	(94,817)	255,578,715	252,478,650	3,100,065
(21,204,990)	(21,336,606)	(131,616)	603,933	509,296	(94,637)	(19,928,001)	(16,012,373)	3,915,628
1,075,800	1,075,800	-	-	-	-	1,825,800	2,073,874	248,074
10,009,927	10,000,000	(9,927)	-	-	-	10,009,927	10,000,000	(9,927)
-	770,000	770,000	-	-	-	-	770,000	770,000
-	22,500	22,500	-	-	-	-	22,500	22,500
-	-	-	-	-	-	(3,625,800)	(4,733,045)	(1,107,245)
11,085,727	11,868,300	782,573	-	-	-	8,209,927	8,133,329	(76,598)
(10,119,263)	(9,468,306)	650,957	603,933	509,296	(94,637)	(11,718,074)	(7,879,044)	3,839,030
46,115,994	46,115,994	-	4,740,690	4,740,690	-	77,754,288	77,754,288	-
\$ 35,996,731	\$ 36,647,688	\$ 650,957	\$ 5,344,623	\$ 5,249,986	\$ (94,637)	\$ 66,036,214	\$ 69,875,244	\$ 3,839,030

**Statement of Revenues, Expenses, and Changes
In Retained Earnings — Proprietary Fund Type
Internal Service Fund
Year Ended June 30, 2000**

Operating revenues:	
Self-insurance premiums	\$ 550,000
Total operating revenues	550,000
Operating expenses:	
Contracted services	595,011
Operating loss	(45,011)
Non-operating revenue:	
Interest income	75,931
Net income	30,920
Retained earnings, July 1, 1999	234,172
Retained earnings, June 30, 2000	\$ 265,092

The notes to the financial statements are an integral part of this statement.

Exhibit 5

**Statement of Revenues, Expenses, and
Changes in Retained Earnings— Proprietary Fund Type
Budget and Actual — Internal Service Fund
Year Ended June 30, 2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Self-insurance premiums	\$ 500,000	\$ 550,000	\$ 50,000
Total operating revenues	500,000	550,000	50,000
Operating expenses:			
Contracted services	436,815	595,011	(158,196)
Operating income (loss)	63,185	(45,011)	(108,196)
Non-operating revenue:			
Interest income	73,600	75,931	2,331
Net income	136,785	30,920	(105,865)
Retained earnings, July 1, 1999	234,172	234,172	-
Retained earnings, June 30, 2000	\$ 370,957	\$ 265,092	\$ (105,865)

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund Type — Internal Service Fund
Year Ended June 30, 2000

Cash flows from operating activities:

Cash received from premiums	\$ 550,000
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Cash paid for contracted services	(805,234)
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Net cash used by operating activities	(255,234)
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Cash flows from investing activities:

Interest income received	73,739
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Sale of investments	74,747
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Net cash provided by investing activities	148,486
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Net decrease in cash	(106,748)
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Cash, July 1, 1999	717,885
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Cash, June 30, 2000	\$ 611,137
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Reconciliation of Operating Loss to
Net Cash Used by Operating Activities

Operating loss	\$ (45,011)
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Adjustments to reconcile operating loss to net cash used by operating activities:	
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Decrease in accounts payable	(210,223)
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Total adjustments	(210,223)
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Net cash used by operating activities	\$ (255,234)
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The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

Year Ended June 30, 2000

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Contra Costa Unified School District is the level of government primarily accountable for activities related to public education in Richmond, El Cerrito, El Sobrante, San Pablo, Pinole, and Hercules, California. The governing authority consists of five elected officials who, together, constitute the Board of Trustees.

On March 15, 1988, certain members of the district's board of education and district employees formed a nonprofit benefit corporation, known as the West Contra Costa Unified School District Financing Corporation, which is organized under the Nonprofit Benefit Corporation Law of the State of California. The purpose of this corporation is to provide financial assistance to the district by financing, constructing, and leasing various public facilities, land, and equipment for the use, benefit, and enjoyment of the public served by the district. The corporation issued Certificates of Participation (COPs), a form of long-term debt, which the district used to finance continuing operations. The COPs are collateralized by an underlying lease-purchase agreement between the corporation and the district.

The district and the corporation have a financial and operational relationship that meets the reporting entity definition of GASB Statement 14, *The Financial Reporting Entity* for inclusion of the corporation as a component unit of the district. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2000, the financial activities of the corporation have been blended into the financial statements of the district. The corporation's financial activities are presented in the general fund and

corporation debt service fund. COPs issued by the corporation are included in the General Long-Term Debt Account Group.

B. Accounting Policies

The district accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the district conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The district has not maintained a record of its general fixed assets. Accordingly, a statement of the general fixed assets account group and a statement of changes in general fixed assets are not included in the general purpose financial statements, as required by generally accepted accounting principles (GAAP).

C. Fund Accounting

The accounts of the district are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity (or retained earnings), revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The district's accounts are organized into three broad categories, which in aggregate include six fund types and one account group as follows:

Governmental Funds:

The *General Fund* is the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The district maintains six special revenue funds:

- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the district's cafeterias. In addition, this fund is used to account for the interest and redemption of principal of the 1999 Certificates of Participation (COPs).
- The Child Development Fund is used to account for resources committed to child development programs maintained by the district.
- The Adult Education Fund is used to account for resources committed to adult education programs maintained by the district.

- The Maintenance and Recreation Assessment District (MRAD) Fund is used for the installation, improvement, and maintenance of recreational facilities, irrigation systems, lighting, and landscaping.
- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.
- The Special Reserve Fund was established to account for resources reserved for economic uncertainties.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The district maintains three debt service funds:

- The Debt Service Fund is used to account for the payment of the Emergency Apportionment loan.
- The Corporation Debt Service Fund is used to account for the interest and redemption of principal of the 1994 COPs issued by the West Contra Costa Unified School District Financing Corporation.
- The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the Series A, B, and C bonds issued by the district.

Capital Projects Funds are used to account for the acquisition and construction of all major governmental general fixed assets. However, the district does not maintain a general fixed asset group of accounts. The district maintains three capital projects funds:

- The Building Fund is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds. In addition, this fund is used to account for the interest and redemption of principal of the 1996 COPs.
- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (*Education Code* Sections 17070-17080).
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the district. The district maintains one internal service fund:

- The Self-Insurance Fund is used to account for resources committed to pay for costs arising from property losses and liability claims that are not covered, or are only partially covered, through purchased insurance.

Fiduciary Funds:

The *Expendable Trust Fund* is used to account for restricted monies from salary reduction agreements and other in-district contributions for employees' retirement benefit payments.

Agency Funds are used to account for assets of others for which the district acts as an agent. The district maintains an agency fund for the student body accounts and scholarship trust funds. Because of the lack of internal controls and insufficient records of the student body accounts and scholarship trust funds, these funds are not presented in the financial statements.

Account Groups:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by the accounting and reporting measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the fund balance sheet. The reported fund balance is considered a measure of "available spendable resources." Thus, long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the district.

The *General Long-Term Debt Account Group* accounts for long-term liabilities expected to be financed from governmental funds.

The *General Fixed Asset Account Group* accounts for general fixed assets other than those accounted for in the proprietary fund types. The district did not maintain a general fixed asset account group, which is required by generally accepted accounting principles.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are

recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on general long-term debt, which is recognized when due.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The district applies all applicable Financial Accounting Standards Board (FASB) pronouncements in accounting and reporting for its proprietary operations.

Trust and agency fund assets and liabilities are also accounted for on the modified accrual basis.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the district's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The district's governing board satisfied these requirements.

These budgets are revised by the district's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The district employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

G. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation.

In accordance with *Education Code* Section 41001, the district maintains substantially all of its cash in the Contra Costa County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Stores Inventories and prepaid expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used.

The district's central warehouse inventory is valued at a moving average cost for presentation. The cafeteria inventory valuation approximates First-in-First-out.

The district has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The district has chosen to report the expenditure when incurred.

3. Fixed Assets

Fixed assets used in governmental fund types of the district should be recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Currently the district does not maintain a general fixed asset account group.

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the district. The current portions of the liabilities are recognized in the general fund at year end. The noncurrent portion of the liabilities is recognized in the general long-term debt account group.

Accumulated sick leave benefits are not recognized as liabilities of the district. The district's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

The district reports long-term debt of governmental funds at face value in the general long-term debt account group.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflects the portions of fund balance represented by revolving fund cash, and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Revenue Limit/Property Tax

The district's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County of Contra Costa is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll — approximately October 1 of each year.

The Contra Costa County Auditor reports the amount of the district's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the district.

The California Department of Education reduces the district's entitlement by the district's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The district's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the district is entitled to by law. This amount is multiplied by the second period ADA to derive the district's total entitlement.

H. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

I. Self-Insurance Internal Service Fund

The district is self-insured for property damage up to \$25,000 per claim, and for general liability and automobile liability up to \$1,000,000 per claim. The General Fund is charged premiums by the Self-Insurance Fund, which is accounted for as an Internal Service Fund. The district also participates in two joint power authorities, which provide excess liability and workers' compensation coverage to the district.

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with *Education Code* Section 41001, the district maintains substantially all of its cash in the Contra Costa County Treasury as part of the common investment pool, which totaled \$38,514,222 as of June 30, 2000. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$38,516,545. The district is considered to be an involuntary participant in the external investment pool. The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks and in Revolving Fund

The carrying amount of the District's cash-in-bank deposits was \$113,113 and the bank balance was \$232,276. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the district in its name	\$ 100,000
Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name	<u>132,276</u>
Total bank balance	<u>\$ 232,276</u>

Cash in revolving fund totaling \$70,000, as of June 30, 2000, are insured by up to \$100,000 by the Federal Deposit Insurance Corporation.

Cash Collections Awaiting Deposit

Cash collections awaiting deposit represent amounts received by the district and not deposited into the cash in county treasury account as of June 30, 2000. The amount totaled \$28,011.

Cash With Fiscal Agent

As of June 30, 2000, the district had amounts totaling \$4,836,062 on deposit in cash with fiscal agent. Of the total, the West Contra Costa Unified School District Financing Corporation had investments on deposit in a guaranteed investment contract (GIC) with the Bank of New York and in a certificate of deposit (CD) with Morgan Trust. The carrying amount and market value of these accounts were \$457,310 and \$932,543, respectively. The GIC is a pooled investment and is not subject to categorization, and the CDs represent Category 1 investments that are either insured or collateralized. This is the remainder of funds held in trust in accordance with the terms of the 1994 refunding agreement between the West Contra Costa Unified School District Financing Corporation and the investors in the corporation's certificates of participation (COPs).

The remaining proceeds from the 1996 variable rate COPs issued during fiscal year 1996-97 are invested in treasury obligations. The treasury obligations represent Category 1 investments. The combined carrying amount and market value of these accounts is \$136,534.

The proceeds from the 1999 variable rate COPs issued during 1998-99 are invested in a money market account and a Local Agency Investment Fund (LAIF). The carrying amount and market value of these accounts are \$377,121 and \$2,129,212, respectively. The money market accounts represent Category 1 investments, and the LAIF is not subject to categorization.

The funds for a lease to acquire portable classrooms were deposited into a money market escrow account. The carrying amount and market value of this account is \$803,342.

Investments

The district directs the county treasurer to invest excess funds in investment pools, such as LAIF and GIC, which are not subject to categorization.

Investments as of June 30, 2000, are presented below:

	<u>Carrying Amount</u>	<u>Fair Value</u>
LAIF	\$23,298,132	\$23,271,702
GIC	35,363,259	35,363,259
Total	<u>\$58,661,391</u>	<u>\$58,634,961</u>

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2000, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Capital outlay	\$ 47,806
Adult Education Fund:	
Certificated salaries	65,597
Classified salaries	24,511
Employee benefits	9,867
Capital outlay	11,142
(Direct support)/indirect costs	23,158
Cafeteria Fund:	
Classified salaries	75,805
Employee benefits	6,769
Capital outlay	47,031
(Direct support)/indirect costs	70,590
Child Development Fund:	
Certificated salaries	21,890
Classified salaries	11,143
Employee benefits	10,179
Books and supplies	1,728
(Direct support)/indirect costs	1,363
Deferred Maintenance Fund:	
Services and other operating expenditures	49,057
Capital outlay	81,942
Maintenance and Recreation Assessment District Fund (MRAD):	
Other outgo	1,047
Building Fund:	
Classified salaries	14,848
Employee benefits	1,784
Principal	75,000
Interest	59,816
Capital Facilities Fund:	
Services and other operating expenditures	44,846
Interest	1,006
State School Building Fund:	
Capital outlay	2,785,630
Internal Service Fund:	
Services and other operating expenditures	158,196
Retiree Benefits Fund:	
Employee benefits	90,257
Services and other operating expenditures	4,560

These amounts were partially offset by appropriations that were underspent.

NOTE 4 - ACCOUNTS AND NOTES RECEIVABLES

Accounts receivable as of June 30, 2000, consist of the following:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Internal Service Funds	Totals
Federal government:						
Categorical aid programs	\$ 1,655,964	\$ 1,214,218	—	—	—	\$ 2,870,182
State government:						
Categorical aid programs	1,855,975	142,547	—	—	—	1,998,522
Staff Development buyback	1,268,836	—	—	—	—	1,268,836
Lottery	1,788,653	—	—	—	—	1,788,653
Total state government	4,913,464	142,547	—	—	—	5,056,011
Local government:						
Interest	399,503	81,645	\$ 9,610	\$ 352,589	\$ 22,100	865,447
Workers comp rebate	1,075,800	—	—	—	—	1,075,800
County treasurer	4,205,616	—	—	—	—	4,205,616
Other	313,738	—	—	30,148	—	343,886
Total local	5,994,657	81,645	9,610	382,737	22,100	6,490,749
Total accounts receivable	\$ 12,564,085	\$ 1,438,410	\$ 9,610	\$ 382,737	\$ 22,100	\$ 14,416,942

NOTE 5 - INTERFUND TRANSACTIONS**Interfund Receivables/Payables (Due From/Due To)**

As of June 30, 2000, interfund receivables and payables were as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	—	\$500,000
Special revenue fund:		
Cafeteria	—	1,600,000
Special reserve	—	2,400
Capital projects fund:		
Capital facilities	400,000	—
Building	—	3,546,852
Expendable trust fund:		
Retiree benefit	5,202,400	—
Debt service fund:		
Bond interest and redemption	46,852	—
Totals	\$5,649,252	\$5,649,252

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 1999-2000 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Deferred maintenance fund	General fund	\$ 998,074
Building fund	General fund	1,075,800
Debt service fund	General fund	1,800,000
Corporation debt service fund	General fund	859,171
Total		<u>\$ 4,733,045</u>

NOTE 6 - LIABILITY FOR OPEN CLAIMS

The accrued liability for open claims in the amount of \$1,440,000 represents an estimate of the eventual loss on claims arising prior to year end, including losses incurred but not reported. The estimate is based on an actuarial study that projected the liability through June 30, 1999.

NOTE 7 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On December 7, 1999, the district issued \$20,000,000 in Tax and Revenue Anticipation notes (TRANS) maturing on December 6, 2000, with an interest rate of 4.5%. The TRANS are a general obligation of the district, and are payable from revenues and cash receipts to be generated by the district. There are no contractual obligations related to the issuance other than the TRANS agreement. The funds were used to supplement cash flow. Interest expense of \$512,500 was accrued as of June 30, 2000, on this note.

NOTE 8 - GENERAL OBLIGATION BONDS

The District received authorization through the June 2, 1998, election to issue up to \$40,000,000 of General Obligation Bonds. The bonds are general obligations of the District and Contra Costa County is obligated to levy ad valorem taxes for the payment of interest on the principal of the bonds. The authorization was for various purposes including the construction and renovation of several school sites.

On August 1, 1998, the District issued Series A General Obligation Bonds in the amount of \$10,000,000 to fund the construction and renovation of several school sites. The interest rates range from 4.35% to 7.25% and mature on August 1, 2023. Interest and principal payments are made semiannually and annually.

On February 1, 1999, the District issued Series B General Obligation Bonds in the amount of \$10,000,000 to fund the construction and renovation of several school sites. The interest rates range from 4.00% to 7.00% and mature on August 1, 2023. Interest and principal payments are made semiannually and annually.

On February 1, 2000, the District issued Series C General Obligation Bonds in the amount of \$10,000,000 to fund the construction and renovation of several school sites. The interest rates range from 5.00% to 8.00% and mature on August 1, 2024. Interest and principal payments are made semiannually and annually.

The outstanding General Obligation Bond debt of West Contra Costa Unified School District as of June 30, 2000, is as follows:

Date of issue	Maturity Date	Amount of Original Issue	Outstanding July 1, 1999	Current Year Proceeds	Redeemed Current Year	Outstanding June 30, 2000
August 1, 1998	August 1, 2023	\$ 10,000,000	\$ 10,000,000	—	\$ 220,000	\$ 9,780,000
February 1, 1999	August 1, 2023	10,000,000	10,000,000	—	—	10,000,000
February 1, 2000	August 1, 2024	10,000,000	—	\$ 10,000,000	—	10,000,000
Totals		\$ 30,000,000	\$ 20,000,000	\$ 10,000,000	\$ 220,000	\$ 29,780,000

The annual requirements to amortize Series A General Obligation Bonds Payable, outstanding as of June 30, 2000, are as follows:

Series A Year Ended June 30	Principal	Interest	Total
2001	\$ 210,000	\$ 501,820	\$ 711,820
2002	225,000	486,051	711,051
2003	245,000	469,014	714,014
2004	260,000	450,708	710,708
2005	280,000	431,133	711,133
Thereafter	8,560,000	4,602,483	13,162,483
Totals	\$ 9,780,000	\$ 6,941,209	\$ 16,721,209

The annual requirements to amortize Series B General Obligation Bonds Payable, outstanding as of June 30, 2000, are as follows:

Series B Year Ended June 30	Principal	Interest	Total
2001	\$ 230,000	\$ 497,025	\$ 727,025
2002	240,000	480,575	720,575
2003	255,000	463,250	718,250
2004	270,000	446,563	716,563
2005	285,000	430,963	715,963
Thereafter	8,720,000	4,764,944	13,484,944
Totals	\$ 10,000,000	\$ 7,083,320	\$ 17,083,320

The annual requirements to amortize Series C General Obligation Bonds Payable, outstanding as of June 30, 2000, are as follows:

<u>Series C</u> <u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	—	\$ 595,640	\$ 595,640
2002	—	595,640	595,640
2003	\$ 205,000	587,440	792,440
2004	220,000	570,440	790,440
2005	240,000	552,040	792,040
Thereafter	9,335,000	6,420,705	15,755,705
Totals	<u>\$ 10,000,000</u>	<u>\$ 9,321,905</u>	<u>\$ 19,321,905</u>

The annual requirements to amortize Series A, Series B, and Series C General Obligation Bonds Payable, outstanding as of June 30, 2000, are as follows:

<u>Series A, B, and C</u> <u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 440,000	\$ 1,594,485	\$ 2,034,485
2002	465,000	1,562,266	2,027,266
2003	705,000	1,519,704	2,224,704
2004	750,000	1,467,711	2,217,711
2005	805,000	1,414,136	2,219,136
Thereafter	26,615,000	15,788,132	42,403,132
Totals	<u>\$ 29,780,000</u>	<u>\$ 23,346,434</u>	<u>\$ 53,126,434</u>

NOTE 9 - EMERGENCY APPORTIONMENT LOANS

In July 1990, the district obtained an emergency apportionment loan from the State of California in the amount of \$9,525,000. In May 1991, the district received an additional loan from the State of California for \$19,000,000 under the conditions of a court order. The State agreed to restructure the repayment of these loans on June 30, 1993. The restructure provided for the consolidation of the two loans and a 15-year repayment period with an annual interest rate of 4.543%.

On October 13, 1997, the State agreed to restructure the remaining debt following the school district's fiscal year 1997-98 payment. The outstanding balance of \$21,919,651 is to be repaid using straight-line amortization of a 20-year term with an annual interest rate of 5.692%. The revised principal and interest payments of the loan are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 687,991	\$ 1,175,559	\$ 1,863,550
2002	727,151	1,136,399	1,863,550
2003	768,541	1,095,009	1,863,550
2004	812,286	1,051,264	1,863,550
2005	858,522	1,005,028	1,863,550
Thereafter	16,798,337	7,427,828	24,226,165
Totals	<u>\$20,652,828</u>	<u>\$12,891,087</u>	<u>\$33,543,915</u>

NOTE 10 - CERTIFICATES OF PARTICIPATION

On April 1, 1994, the West Contra Costa Unified School District Financing Corporation issued Certificates of Participation (COPs). The proceeds were used to refund a 1988 COPs issuance. Semi-annual payments are made at varying interest rates from 6% to 7.125%.

The trustee, as assignee of the corporation, will receive the following payments for the benefit of the certificate owners:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 175,000	\$ 741,697	\$ 916,697
2002	190,000	729,322	919,322
2003	200,000	716,088	916,088
2004	215,000	702,166	917,166
2005	235,000	687,041	922,041
Thereafter	9,510,000	7,995,102	17,505,102
Totals	<u>\$10,525,000</u>	<u>\$11,571,416</u>	<u>\$22,096,416</u>

On December 1, 1996, the district and other local educational agencies within Alameda and Contra Costa Counties entered into a joint lease agreement with the Alameda-Contra Costa Schools Financing Authority (lessor) for the purpose of issuing variable rate demand COPs for the participating districts. The West Contra Costa Unified School District will use the proceeds of the issuance to purchase modular classrooms for the purpose of class-size reduction. Interest payments are made quarterly based upon the seven-day tax-exempt rate applied weekly to the outstanding balance. Future interest payments are estimated at 4.45%.

The trustee, as assignee of the Authority, will receive the following estimated payments for the benefit of the certificate owners:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 75,000	\$ 81,653	\$ 156,653
2002	80,000	78,318	158,318
2003	85,000	74,591	159,591
2004	85,000	70,952	155,952
2005	90,000	66,720	156,720
Thereafter	1,480,000	412,717	1,892,717
Totals	\$ 1,895,000	\$ 784,951	\$ 2,679,951

On January 7, 1999, the district and other local educational agencies entered into a joint lease agreement with the California School Facilities Financing Corporation (lessor) for the purpose of issuing variable rate demand COPs for the participating districts. The West Contra Costa Unified School District will use the proceeds to finance the construction of the district's central kitchen. Certificate terms provide for a variable rate of interest determined weekly and payable quarterly and conversion to a fixed rate of interest payable semi-annually and contain certain tender, remarketing, and redemption features. Future interest rates are estimated at 5%.

The trustee, as assignee of the corporation, will receive the following payments for the benefit of the certificate owners:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 345,000	\$ 80,382	\$ 425,382
2002	360,000	62,738	422,738
2003	375,000	44,175	419,175
2004	385,000	25,091	410,091
2005	405,000	5,035	410,035
Totals	\$ 1,870,000	\$ 217,421	\$ 2,087,421

The combined debt service payments for the COPs issuances are as follows:

<u>Year Ended June 30</u>	<u>1994 Issue</u>	<u>1996 Issue</u>	<u>1999 Issue</u>	<u>Total</u>
2001	\$ 916,697	\$ 156,653	\$ 425,382	\$ 1,498,732
2002	919,322	158,318	422,738	1,500,378
2003	916,088	159,591	419,175	1,494,854
2004	917,166	155,952	410,091	1,483,209
2005	922,041	156,720	410,035	1,488,796
Thereafter	17,505,102	1,892,717	—	19,397,819
Subtotals	22,096,416	2,679,951	2,087,421	26,863,788
Less amounts representing interest	11,571,416	784,951	217,421	12,573,788
Totals	\$ 10,525,000	\$ 1,895,000	\$ 1,870,000	\$ 14,290,000

NOTE 11 - VOLUNTARY INTEGRATION PROGRAM AUDIT EXCEPTIONS

The Voluntary Integration Program debt represents cost disallowances of \$7,652,000 based on state audits of program expenditures in fiscal years 1988-89 and 1989-90. Subsequently, the district entered into an agreement with the State of California to repay this amount beginning in June 1993. During fiscal year 1992-93, the original agreement was restructured to allow the district to make the June 30, 1993, payment of \$200,000 as scheduled, with the remaining balance scheduled to be repaid beginning in 1998. Repayment of the voluntary integration debt is shown below:

<u>Year Ended June 30</u>	<u>Total Payments</u>
2001	\$ 300,000
2002	300,000
2003	300,000
2004	300,000
2005	300,000
Thereafter	5,052,000
Total	<u>\$ 6,552,000</u>

NOTE 12 - COMPUTER EQUIPMENT ACQUISITION LOANS

During fiscal year 1989-90, the district financed the acquisition of an administrative and instructional computer system with a loan from IBM. The loans are collateralized by the acquired assets.

Subsequent to June 30, 1993, the district restructured the debt to allow for one payment during fiscal year 1993-94 and the remaining payments of \$5,000,000, represented by \$3,324,603 of principal and \$1,675,397 of interest, payable in fiscal years 2007-08 through 2010-11. The Pooled Money Investment Rate of 4.402% as of June 30, 1993, was used to impute the interest costs implicit in the repayment amounts.

NOTE 13 - CAPITAL LEASE OBLIGATION

On July 28, 1999, the district entered into a capital lease for portables valued at \$770,000 under an agreement that provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2001	\$ 175,643
2002	175,643
2003	175,643
2004	175,643
2005	14,637
Subtotal	<u>717,209</u>
Less amounts representing interest	<u>73,572</u>
Present value of net minimum lease payments	<u>\$ 643,637</u>

The district will receive no sublease rental revenues nor pay any contingent rentals for this lease agreement.

NOTE 14 - GENERAL LONG-TERM DEBT — SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2000, is shown below:

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
General obligation bonds	\$ 20,000,000	\$ 10,000,000	\$ 220,000	\$ 29,780,000
Emergency apportionment loan	21,303,768	—	650,940	20,652,828
Certificates of participation	14,695,000	—	405,000	14,290,000
Voluntary integration program	6,852,000	—	300,000	6,552,000
Computer equipment acquisition loan	3,184,425	140,178	—	3,324,603
Compensated absence	1,536,460	—	19,690	1,516,770
Capital lease obligations	—	770,000	126,363	643,637
Totals	<u>\$ 67,571,653</u>	<u>\$ 10,910,178</u>	<u>\$ 1,721,993</u>	<u>\$ 76,759,838</u>

NOTE 15 - GENERAL LONG-TERM DEBT — DEBT SERVICE REQUIREMENTS

The annual requirements to amortize the long-term debt are as follows:

Year Ended June 30	General Obligation Bonds	Emergency Apportion- ment Loan	Certificates of Participation	Voluntary Integration Program Audit Exceptions	Computer Equipment Acquisition Loans	Compen- sated Absences	Capital Lease	Total
2001	\$ 2,034,485	\$ 1,863,550	\$ 1,498,732	\$ 300,000	—	\$ 1,516,770	\$ 175,643	\$ 7,389,180
2002	2,027,266	1,863,550	1,500,378	300,000	—	—	175,643	5,866,837
2003	2,224,704	1,863,550	1,494,854	300,000	—	—	175,643	6,058,751
2004	2,217,711	1,863,550	1,483,209	300,000	—	—	175,643	6,040,113
2005	2,219,136	1,863,550	1,488,796	300,000	—	—	14,637	5,886,119
Thereafter	<u>42,403,132</u>	<u>24,226,165</u>	<u>19,397,819</u>	<u>5,052,000</u>	<u>\$5,000,000</u>	<u>—</u>	<u>—</u>	<u>96,079,116</u>
Subtotals	53,126,434	33,543,915	26,863,788	6,552,000	5,000,000	1,516,770	717,209	127,320,116
Less amounts representing interest	<u>23,346,434</u>	<u>12,891,087</u>	<u>12,573,788</u>	<u>—</u>	<u>1,675,397</u>	<u>—</u>	<u>73,572</u>	<u>50,560,278</u>
Obligations as of June 30, 2000	<u>\$ 29,780,000</u>	<u>\$ 20,652,828</u>	<u>\$ 14,290,000</u>	<u>\$ 6,552,000</u>	<u>\$ 3,324,603</u>	<u>\$ 1,516,770</u>	<u>\$ 643,637</u>	<u>\$ 76,759,838</u>

NOTE 16 - JOINT VENTURES (Joint Powers Agreements)

The district participates with other Contra Costa County school districts in two joint powers agreements (JPAs): the Contra Costa County Schools Insurance Group (CCCSIG) and the Schools Excess Liability Fund (SELF). CCCSIG enters into reinsurance agreements whereby it cedes various amounts of risk to other insurance companies. Risks ceded to insurance companies are treated as though they are not risks for which CCCSIG is liable. CCCSIG's excess workers' compensation policies were purchased with a retention amount of \$500,000 per claim and its members are covered by insurance for individual claims to the statutory maximum.

SELF arranges for and provides liability coverage for its member public educational agencies for claims of \$1 million to \$14 million per occurrence. The district pays premiums commensurate with the level of coverage requested. The agreements between the district and both JPAs contain retrospective premium provisions. As a result, the district may be assessed additional premiums or may receive premium refunds.

The JPAs are governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the district beyond the district's representation on the governing board. The JPAs are independently accountable for their fiscal matters. CCCSIG and SELF maintain their own accounting records, and their budgets are not subject to any approval other than that of the respective governing boards. Member districts share JPA surplus and deficits in proportion to their participation in each JPA. As such, the JPAs are not component units and are not included in the accompanying district financial statements for financial reporting purposes.

Condensed financial information for CCCSIG and SELF for the year ended June 30, 2000, is as follows:

	CCCSIG	SELF
Total assets	\$ 51,613,024	\$ 109,663,001
Total liabilities	20,834,443	50,258,971
Net assets available for claims	<u>\$ 30,778,581</u>	<u>59,404,030</u>
Total revenues	\$ 13,581,668	\$ 11,391,664
Total expenses	(10,695,941)	(2,372,046)
Loss claims provision adjustment		5,019,955
Net increase (decrease) in net assets available for claims	<u>\$ 2,885,727</u>	<u>\$ 14,039,573</u>

The district's participating percentage in SELF as of June 30, 2000, has not been determined by SELF's governing board.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

1996-97 Excused Absences

The State Controller's Office (SCO) conducted the original audit of the district's financial statements in 1996-97 and reported an excused absence finding of 0.33 average daily attendance (ADA) or less than \$2,000. The district revised its ADA report at that time, as recommended by SCO. Subsequently, the SCO performed a re-audit of the district's 1996-97 excused absences reported for ADA. The audit findings recommended the disallowance of 609 out of a total 1,589 reported excused absence ADA, with recommended repayment of over \$2 million for each year beginning in 1996-97. The district has appealed the findings and, in the meantime, has set aside a fund balance reserve of \$3 million under the direction of the State-appointed trustee. A ruling is expected prior to June 30, 2001. However, the actual liability, if any, cannot be determined at this time.

Litigation

Various claims and litigation involving the district are currently outstanding. However, management of the district believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the district's financial position or results of operations.

State and Federal Allowances, Awards, and Grants

The district has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 18 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS) and certificated employees are members of the State Teachers' Retirement System (STRS).

Plan Description and Provisions

PERS:

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 Law. 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, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), 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. There was no required employer contribution rate for fiscal year 1999-2000. 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, 2000, 1999, and 1998, were \$0, \$0, and \$1,342,081, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The district contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 1999-2000 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to STRS for the fiscal years ending June 30, 2000, 1999, and 1998, were \$7,593,978, \$6,931,968, and \$6,689,156, respectively, and equal 100% of the required contributions for each year.

NOTE 19 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 18, the district provides post-retirement health care benefits to all employees who (1) have been employed by the district continuously for a period of ten years immediately prior to retirement if the retiree is 65 years or older; (2) have been employed continuously by the district for a period of ten years immediately prior to retirement if the employee retires at less than age 65 and has accumulated a total of 30 years in public education including the ten years with the district; and (3) have accumulated one additional year (over the ten-year minimum) in the district for each year under age 65 at the time of retirement, up to a total of ten additional years (for example, a 58-year-old retiree must have accumulated 17 years of district service immediately prior to retirement). On June 30, 2000, 1,587 retirees met these requirements.

The district offers retirees a choice of three health maintenance organizations (HMOs) for health benefits and a supplemental Medicare Part A Plan; dental benefits are offered through one insurer. The district pays 100% of the monthly HMO and dental benefit premiums for retirees and their spouses. All eligible retirees and their spouses who qualify for Medicare benefits must apply and pay premiums for Medicare coverage as prescribed by law. Expenditures for post-retirement health care benefits are recognized when paid. During the year ended June 30, 2000, expenditures of \$5,492,352 were recognized for post-retirement health care.

NOTE 20 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On August 9, 2000, the district issued \$25,000,000 in Tax and Revenue Anticipation notes (TRANS) maturing on August 8, 2001, with an interest rate of 5.0%. The TRANS are a general obligation of the district, and are payable from revenues and cash receipts to be generated by the district. There are no contractual obligations related to the issuance other than the TRANS agreement. The funds were used to supplement cash flow.

General Obligation Bond Issuance

On August 1, 2000, the district issued \$10,000,000 of Series D general obligation bonds to fund the acquisition and construction of real property. The district received authorization to issue \$40 million of bonds at an election held on June 2, 1998. This bond represents the fourth and final series issued under the authorization. The interest rate ranges from 4.875% to 7.875%. Interest on the bonds is payable semiannually each February 1 and August 1, commencing February 1, 2001. Principal of the bonds is payable on August 1 in each year due. The final maturity is August 1, 2021. Principal debt service payments are scheduled annually and range from \$200,000 to \$730,000.

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION (Separate Opinions, each in the following form, will be delivered with respect to each of the two series of Bonds)

_____, 2001

Honorable Members of the Board of Trustees
of Contra Costa County Unified School District
Richmond, California

Re: \$_____ West Contra Costa Unified School District
(Contra Costa County, California)
2001 General Obligation Refunding Bonds, Series ____

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and the proceedings taken by the West Contra Costa Unified School District (the "District") in connection with the authorization, issuance and sale of the \$_____ aggregate principal amount West Contra Costa Unified School District (Contra Costa County, California) 2001 General Obligation Refunding Bonds, Series ____ (the "Bonds"), including the resolution adopted by the Board of Trustees on March 7, 2001 providing for the issuance of the Bonds (the "Resolution"), and such other information and documents as we consider necessary to render this opinion.

Based upon such examination, we are of the opinion as of the date hereof, that the proceedings referred to above have been taken in accordance with the Constitution and laws of the State of California, and that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchasers thereof, constitute the legally valid and binding general obligations of the District enforceable in accordance with their terms subject to the qualifications specified below. Except where funds are otherwise available, as may be permitted by law, the Bonds are payable, as to both principal and interest, from taxes to be levied on all taxable property within the District without limitation as to rate or amount.

The Internal Revenue Code of 1986, as amended (the "Code"), contains certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of the issuance of the Bonds. The District has

covenanted in the Resolution to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the District with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of the interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights, heretofore or hereafter enacted, and the enforcement of the Bonds may be subject to the application of equitable principles and judicial discretion in appropriate cases.

Respectfully submitted,

FORM OF BOND INSURANCE POLICY

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MBIA
FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

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\$28,610,000
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
2001 GENERAL OBLIGATION REFUNDING BONDS,
SERIES A

and

\$10,255,000
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
2001 GENERAL OBLIGATION REFUNDING BONDS,
SERIES B

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the West Contra Costa Unified School District (the "District") in connection with the issuance of the above-captioned bonds (together, the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on March 7, 2001 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2002 with the report for the 2000/2001 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual

Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) the District's total revenue limit for the preceding fiscal year, including the undeficit annual revenue limit and the deficit annual revenue limit;

(iii) pension plan contributions made by the District for the preceding fiscal year;

(iv) prior fiscal year assessed valuation of taxable properties in the District, showing both secured and unsecured assessed valuations, including total assessed valuation of properties in the District owned by the largest ten (10) property tax payers;

(v) prior fiscal year total secured property tax levy and collections, showing the amount and percent delinquent as of the close of the prior fiscal year;

(vi) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year; and

(vii) the balance due to the State of California pursuant to AB 437 as of the close of the prior fiscal year.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be

available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Bond Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall

have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2001

WEST CONTRA COSTA UNIFIED
SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: West Contra Costa Unified School District

Name of Bond Issue: \$28,610,000 West Contra Costa Unified School District 2001 General
Obligation Refunding Bonds, Series A and \$10,255,000 West Contra
Costa Unified School District 2001 General Obligation Refunding
Bonds, Series B

Date of Issuance: November 6, 2001

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with
respect to the above-named Bonds as required by Section 5.07 of the Resolution authorizing the
issuance of the Bonds. The District anticipates that the Annual Report will be filed by
_____.

Dated: _____

WEST CONTRA COSTA UNIFIED
SCHOOL DISTRICT

By _____
Superintendent

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