

NEW ISSUE — BOOK-ENTRY ONLY**RATINGS:**

Fitch: AAA (Insured)

Standard & Poor's: AAA (Insured)

(See "BOND INSURANCE" and "MISCELLANEOUS – Ratings" herein).

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the 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. Other federal tax consequences of the Bonds, if any, are not addressed in the opinion. See "LEGAL MATTERS — Tax Matters" herein.

\$70,000,000
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
 (Contra Costa County, California)
General Obligation Bonds
Election of 2005. Series A

**Dated: Date of Delivery****Due: August 1, as shown below**

The West Contra Costa Unified School District General Obligation Bonds, Election of 2005, Series A, in the aggregate principal amount of \$70,000,000 (the "Bonds"), are issued by the Board of Supervisors of Contra Costa County (the "County") on behalf of the West Contra Costa Unified School District (the "District"). The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates,) for the payment of interest, principal, and premium, if any, on the Bonds, all as more fully described herein under "THE BONDS — Security and Sources of Payment for the Bonds" and "SCHOOL DISTRICT PROPERTY TAXATION".

The Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof. Interest with respect to the Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2007. The Bonds will be initially issued in book-entry form only, registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest, principal, and premium, if any, on the Bonds will be payable to DTC. DTC is obligated to remit such interest, principal, and premium, if any, to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "THE BONDS — Book-Entry System" and " — Discontinuation of Book-Entry System" herein.

The Bonds due on or before August 1, 2014, are not subject to optional redemption; the Bonds due on and after August 1, 2015, are subject to optional and mandatory sinking fund redemption as described herein. See "THE BONDS — Redemption" herein.

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 FINANCIAL SECURITY ASSURANCE INC. See "BOND INSURANCE" herein.



The following firm, serving as financial advisor to the District, has structured this issue:

A. LOPEZ & ASSOCIATES LLC

MATURITY SCHEDULE

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | Maturity (August 1) | Principal Amount | Interest Rate | Yield |
|------------------------|---------------------|------------------|--------|------------------------|---------------------|------------------|--------|
| 2007 | \$ 565,000 | 4.000% | 3.500% | 2017 | \$ 1,920,000 | 4.250% | 4.330% |
| 2008 | 1,265,000 | 4.000 | 3.550 | 2018 | 2,000,000 | 4.375 | 4.450 |
| 2009 | 1,340,000 | 4.000 | 3.600 | 2019 | 2,085,000 | 4.400 | 4.520 |
| 2010 | 1,415,000 | 4.000 | 3.650 | 2020 | 2,175,000 | 4.500 | 4.570 |
| 2011 | 1,485,000 | 4.000 | 3.720 | 2021 | 2,270,000 | 5.000 | 4.520 |
| 2012 | 1,560,000 | 4.000 | 3.820 | 2022 | 2,370,000 | 5.000 | 4.540 |
| 2013 | 1,635,000 | 4.000 | 3.920 | 2023 | 2,475,000 | 5.000 | 4.560 |
| 2014 | 1,710,000 | 4.000 | 4.020 | 2024 | 2,585,000 | 5.000 | 4.580 |
| 2015 | 1,775,000 | 4.100 | 4.120 | 2025 | 2,700,000 | 5.000 | 4.600 |
| 2016 | 1,850,000 | 4.125 | 4.200 | 2026 | 2,820,000 | 5.000 | 4.620 |

\$32,000,000 5.00% Term Bond due August 1, 2035, reoffered at 4.66%.

The bonds were sold at competitive sale on May 3, 2006, at a true interest cost of 4.761474%. The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval of their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters are being passed upon for the District by the District's General Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York, on or about May 17, 2006.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH HEREIN.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations 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 such an offer, solicitation, or sale.

This Official Statement is not to be construed as a contract with purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts, or matters of opinion, whether expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes, and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each such document, statute and constitutional provision.

The information set forth herein, other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed by the District as to accuracy or completeness, and is not to be construed as a representation by the District. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expression of opinion 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.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "**BOND INSURANCE**" and "**APPENDIX D — SPECIMEN MUNICIPAL BOND INSURANCE POLICY**" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

Board of Education

Charles T. Ramsey
President

Karen Pfeifer
Clerk

Dave Brown
Member

Glen Price
Member

Karen Leong Fenton
Member

Administration

Dr. Cynthia LeBlanc
Interim Superintendent

Ruth A. Vedovelli
*Associate Superintendent
Business Services*

Vince Kilmartin
*Associate Superintendent
for Operations*

PROFESSIONAL SERVICES

Financial Advisor

A. Lopez & Associates LLC
Oakland, California

Bond Counsel

Quint & Thimmig LLP
San Francisco, California

Paying Agent

The Bank of New York Trust Company, N.A.
San Francisco, California

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\$70,000,000
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds
Election of 2005, Series A

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$70,000,000 West Contra Costa Unified School District General Obligation Bonds, Election of 2005, Series A (the "Bonds"), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See **"MISCELLANEOUS — Continuing Disclosure"** and **"APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE"** herein.

Copies of documents referred to herein and information concerning the Bonds are available from the District through the Associate Superintendent Business Services, West Contra Costa Unified School District, 1108 Bissell Avenue, Richmond, CA 94801-3135, Telephone: (510) 234-3825. The District may impose a charge for copying, mailing and handling.

The District

The District is located in Contra Costa County (the "County"), California, approximately 15 miles northeast of San Francisco. The District encompasses approximately 110 square miles and 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 within the County. The District's average daily attendance for fiscal year 2005-06 is projected to be 31,213 and its 2005-06 general fund expenditures are projected to be approximately \$283 million. Taxable property in the District has a 2005-06 assessed valuation of approximately \$21.9 billion. See **"THE DISTRICT"** and **"SCHOOL DISTRICT PROPERTY TAXATION"** herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the California Education Code and other applicable law, and pursuant to resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County. The District received authorization to issue \$400,000,000 of bonds at an election held on November 8, 2005, by an affirmative vote of more than fifty-five percent of the votes cast, under the provisions of the Constitution of the State of California (the "State Constitution") and applicable laws. See **"THE BONDS — Authority for Issuance"** herein.

Sources of Payment for the Bonds

The County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates,) for the payment of the interest, principal and premium, if any, on the Bonds. See **"THE BONDS — Security and Sources of Payment for the Bonds"**, and **"SCHOOL DISTRICT PROPERTY TAXATION"** herein.

Purpose of the Bonds

Bond proceeds will be used to finance specific construction and modernization projects approved by the voters. See **"THE BONDS — Purpose of the Bonds"** herein.

Description of the Bonds

Denominations. The Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof. See **"THE BONDS — Description of the Bonds"** herein.

Registration, Transfers and Exchanges. The Bonds, will be issued as fully registered bonds, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and all transfers and exchanges will occur through book-entries made by DTC. In the event that a book-entry system is no longer used with respect to the Bonds, registered owners (the "Owners") listed in the Bond Register will receive payment of interest, principal, and premium, if any, on the Bonds directly from the Paying Agent. See **"THE BONDS — Book-Entry System"** and **"— Discontinuation of Book-Entry System"** herein.

Payments. Interest on the Bonds is payable semiannually each February 1 and August 1, commencing February 1, 2007. Principal of the Bonds is payable on August 1 in each year due, as set forth on the cover page hereof. See **"THE BONDS — Description of the Bonds"** herein.

Redemption. The Bonds maturing on or after August 1, 2015, may be redeemed prior to maturity at the option of the District beginning on August 1, 2014. See **"THE BONDS — Redemption"** herein.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the 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. Other federal tax consequences of the Bonds, if any, are not addressed in the opinion. See **"LEGAL MATTERS — Tax Matters"** herein.

Offering and Delivery of the Bonds

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York, on or about May 17, 2006.

Professionals Involved in the Offering

A. Lopez & Associates LLC, Oakland, California, is acting as Financial Advisor to the District with respect to the Bonds. Quint & Thimmig LLP, San Francisco, California, is acting as Bond Counsel to the District with respect to the Bonds. The Bank of New York Trust Company, N.A., San Francisco, California, will act as the District's paying agent, registrar and transfer agent (the "Paying Agent") with respect to the Bonds. A. Lopez & Associates LLC and Quint & Thimmig LLP will receive compensation from the District contingent upon the sale and delivery of the Bonds.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Section 15140 of the California Education Code (the "Education Code"), and other applicable law, and pursuant to resolutions adopted by the Board of Education of the District on March 15, 2006, and by the Board of Supervisors of the County on April 4, 2006 (collectively, the "Resolution").

The District received authorization to issue \$400,000,000 of bonds at an election held on November 8, 2005, by an affirmative vote of more than fifty-five percent of the votes cast, under the provisions of the State Constitution and applicable laws (the "2005 Authorization"). The Bonds represent the first series under the 2005 Authorization.

Purpose of the Bonds

Bond proceeds will be used to finance specific construction and modernization projects listed in the 2005 Authorization. The purpose of these projects is summarized in the ballot for the 2005 Authorization as: "To continue repairing all school facilities, improve classroom safety and technology, and relieve overcrowding. "

Description of the Bonds

The Bonds will be issued as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee for DTC. DTC will act as security depository of the Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC Participant (as defined herein) and ownership interests in Bonds will be recorded as entries on the books of said Participant. Except in the event that use of this book-entry system is discontinued for the Bonds, Beneficial Owners (as defined herein) will not receive physical certificates representing their ownership interests. See **"Book-Entry System"** and **"Discontinuation of Book-Entry System"** in this section.

The Bonds will be dated May 17, 2006, and will bear interest payable semiannually each February 1 and August 1, commencing February 1, 2007 (each, an "Interest Payment Date"), calculated on a 30/360 day basis. The Bonds will mature in each of the years and in the principal amounts shown on the cover page hereof, or on the date of the earlier redemption thereof.

The interest, principal and premium, if any, on the Bonds shall be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"), consisting of *ad valorem* taxes collected and held by the County Treasurer-Tax Collector (the "Treasurer"), together with any premium and accrued interest received upon issuance of the Bonds. So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of interest, principal and premium, if any, on the Bonds and all notices with respect to such Bonds shall be made and given, respectively, to such securities depository or its nominee and not to Beneficial Owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See **"Book-Entry System"** and **"Discontinuation of Book-Entry System"** in this section.

Payment of Principal and Interest

Bonds authenticated and registered on any date prior to the close of business on January 15, 2007, shall bear interest from May 17, 2006. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date ("the Record Date") and the close of business on that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) shall be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof (the "Owner") as of the preceding Record Date, such interest to be paid by check or draft mailed to such Owner at such Owner's address as it appears on such registration books or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of \$1,000,000 or more of Bonds may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

Security and Sources of Payment for the Bonds

The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates,) for the payment of principal or interest of the Bonds. Such taxes, when collected, will be deposited in the Interest and Sinking Fund. Monies in the Interest and Sinking Fund will be applied solely for the payment of principal or interest of the Bonds. After the sale of the Bonds, the District will have approximately \$544 million (including the Bonds) of outstanding bonds payable from *ad valorem* taxes. For further information regarding the District's overlapping debt structure, see **"THE DISTRICT — Statement of Direct and Overlapping Debt"** herein.

The annual tax rate will be based on the assessed value of taxable property in the District and scheduled annual debt service on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the "State") and local agencies and property used for qualified educational, hospital, charitable or religious purposes,) or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate (see **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Limitations of Revenues"**). The issuance of additional bonds under the 2005 Authorization is expected to cause the tax rate to increase.

For further information regarding the District's tax base, tax rates, debt and other matters concerning taxation. See **"THE DISTRICT"** and **"SCHOOL DISTRICT PROPERTY TAXATION"** herein.

Investment of Bond Proceeds

The proceeds from the sale of the Bonds, in the amount of the denomination amount thereof, shall be paid to the County to the credit of the building fund of the District (the "Building Fund") and shall be accounted for separately from all other District and County funds. Such proceeds shall be applied solely for purposes authorized by the voters under the 2005 Authorization. An amount equal to bid premium, if any, on the sale of the Bonds will be deposited to the Interest and Sinking Fund, to be used only for payment of principal of the Bonds. A portion of the proceeds deposited into the Building Fund will be deposited by the District in a Costs of Issuance Fund held by the Paying Agent and used to pay costs associated with the issuance of the Bonds. Any balance therein after payment of such costs shall be transferred to the Treasurer for deposit in the Building Fund.

Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund. Monies in the Building Fund, the Interest and Sinking Fund, and the Costs of Issuance Fund shall be invested in any one or more investments generally permitted to school districts under the laws of the State as authorized under Sections 16429.1 and 53601 *et seq.* of the California Government Code, in shares in a California common law trust established pursuant to California law which invests exclusively in investments permitted by Section 53635 of the California Government Code, in the Local Agency Investment Fund held by the State Treasurer, or in investment agreements with a financial institution or insurance company which has, at the date of execution thereof, one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations, or a claims paying ability, rated not

lower than the second highest rating category (without regard to subcategories) by Standard & Poor's and Moody's Investors Service.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Bonds are as follows:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Estimated Sources and Uses of Funds

| | | |
|---|--|-------------------------|
| Sources of Funds | | |
| Principal Amount of Bonds | | \$ 70,000,000.00 |
| Original Issue Premium on Bonds | | <u>1,295,641.90</u> |
| Total Sources | | <u>\$ 71,295,641.90</u> |
| Uses | | |
| Deposit to Building Fund | | \$ 70,000,000.00 |
| Underwriting Spread ⁽¹⁾ | | 379,009.52 |
| Deposit to Costs of Issuance Fund ⁽²⁾ | | 220,000.00 |
| Deposit to Interest and Sinking Fund ⁽³⁾ | | <u>696,632.38</u> |
| Total Uses | | <u>\$ 71,295,641.90</u> |

⁽¹⁾ Includes cost of bond insurance and underwriter's compensation.

⁽²⁾ Includes estimated fees for rating agencies, Bond Counsel, Financial Advisor, printing and distribution of the Official Statement, and miscellaneous costs of issuing the Bonds paid from underwriting premium.

⁽³⁾ Represents bid premium.

Semiannual Debt Payments

The semiannual debt service obligation for the Bonds and previously issued and outstanding general obligation bonds of the District, assuming no optional redemptions, is as follows:

**West Contra Costa Unified School District
Semiannual Debt Service Estimates**

| Payment Date | 1998 Authorization | | | 2000 Authorization | | | 2002 Authorization | | | 2005 Authorization Series A | | | Combined Total |
|------------------|-------------------------|-----------|----------|--------------------------|-----------|----------|--------------------------|-----------|----------|--------------------------------|----------|-----------------------|----------------------------|
| | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total Debt Service | Interest | Total Debt Service | |
| August 1, 2006 | \$ 980,158.75 | | | \$ 6,552,650.00 | | | \$ 7,292,485.00 | | | \$ 2,333,838.43 | | | \$ 14,825,293.75 |
| February 1, 2007 | 1,983,286.25 | | | 3,443,075.00 | | | 3,899,160.00 | | | 2,218,901.25 | | | 13,993,178.11 |
| August 1, 2007 | 958,743.75 | | | 6,623,075.00 | | | 8,784,160.00 | | | 1,653,901.25 | | | 20,803,781.25 |
| February 1, 2008 | 1,996,711.25 | | | 3,380,662.50 | | | 3,807,410.00 | | | 1,642,601.25 | | | 12,469,986.25 |
| August 1, 2008 | 936,011.25 | | | 6,695,662.50 | | | 9,262,410.00 | | | 1,642,601.25 | | | 22,709,286.25 |
| February 1, 2009 | 2,028,838.75 | | | 3,313,237.50 | | | 3,723,641.25 | | | 1,617,301.25 | | | 12,300,320.00 |
| August 1, 2009 | 911,173.75 | | | 6,773,237.50 | | | 9,783,641.25 | | | 2,957,301.25 | | | 23,382,655.00 |
| February 1, 2010 | 2,058,838.75 | | | 3,236,290.63 | | | 3,643,003.75 | | | 1,590,501.25 | | | 12,119,135.63 |
| August 1, 2010 | 878,763.75 | | | 6,841,290.63 | | | 10,398,003.75 | | | 3,005,501.25 | | | 24,129,060.63 |
| February 1, 2011 | 2,076,345.00 | | | 3,162,390.63 | | | 3,555,947.50 | | | 1,562,201.25 | | | 11,919,085.63 |
| August 1, 2011 | 854,413.75 | | | 6,912,390.63 | | | 11,040,947.50 | | | 3,047,201.25 | | | 24,902,154.38 |
| February 1, 2012 | 2,121,702.50 | | | 3,085,540.63 | | | 3,462,235.00 | | | 1,532,501.25 | | | 11,734,480.63 |
| August 1, 2012 | 817,030.00 | | | 6,965,540.63 | | | 11,722,235.00 | | | 3,092,501.25 | | | 25,689,808.13 |
| February 1, 2013 | 2,149,255.00 | | | 3,006,015.63 | | | 3,377,360.00 | | | 1,501,301.25 | | | 11,535,233.13 |
| August 1, 2013 | 787,590.00 | | | 7,031,015.63 | | | 12,427,360.00 | | | 3,136,301.25 | | | 26,518,568.13 |
| February 1, 2014 | 2,194,530.00 | | | 2,922,856.26 | | | 3,289,247.50 | | | 1,468,601.25 | | | 11,343,836.26 |
| August 1, 2014 | 744,937.50 | | | 7,102,856.26 | | | 13,169,247.50 | | | 3,178,601.25 | | | 27,374,243.76 |
| February 1, 2015 | 2,241,797.50 | | | 2,835,800.01 | | | 3,196,403.75 | | | 1,434,401.25 | | | 11,142,803.76 |
| August 1, 2015 | 699,070.00 | | | 7,180,800.01 | | | 13,951,403.75 | | | 3,209,401.25 | | | 28,250,076.26 |
| February 1, 2016 | 2,285,890.00 | | | 2,740,950.01 | | | 3,099,023.75 | | | 1,398,013.75 | | | 10,921,891.26 |
| August 1, 2016 | 654,052.50 | | | 7,260,950.01 | | | 14,774,023.75 | | | 3,248,013.75 | | | 29,185,053.76 |
| February 1, 2017 | 2,335,600.00 | | | 2,627,406.26 | | | 2,994,525.00 | | | 1,359,857.50 | | | 10,677,246.26 |
| August 1, 2017 | 605,687.50 | | | 7,342,406.26 | | | 16,129,525.00 | | | 3,279,857.50 | | | 30,637,333.76 |
| February 1, 2018 | 2,397,063.75 | | | 2,508,215.63 | | | 2,884,137.50 | | | 1,319,057.50 | | | 10,427,531.88 |
| August 1, 2018 | 548,260.00 | | | 7,418,215.63 | | | 17,249,137.50 | | | 3,319,057.50 | | | 31,853,728.13 |
| February 1, 2019 | 2,449,593.75 | | | 2,383,284.38 | | | 2,755,143.75 | | | 1,275,307.50 | | | 10,138,636.88 |
| August 1, 2019 | 492,318.75 | | | 7,508,284.38 | | | 17,680,143.75 | | | 3,360,307.50 | | | 32,401,361.88 |
| February 1, 2020 | 2,523,493.75 | | | 2,252,587.50 | | | 2,619,118.75 | | | 1,229,437.50 | | | 9,854,075.00 |
| August 1, 2020 | 426,613.75 | | | 7,607,587.50 | | | 18,544,118.75 | | | 3,404,437.50 | | | 33,387,195.00 |
| February 1, 2021 | 2,587,743.75 | | | 2,114,200.00 | | | 2,476,993.75 | | | 1,180,500.00 | | | 9,539,937.50 |
| August 1, 2021 | 361,308.75 | | | 7,714,200.00 | | | 19,711,993.75 | | | 3,450,500.00 | | | 34,688,502.50 |
| February 1, 2022 | 2,662,243.75 | | | 1,974,200.00 | | | 2,322,787.50 | | | 1,123,750.00 | | | 9,206,731.25 |
| August 1, 2022 | 291,608.75 | | | 7,834,200.00 | | | 21,097,787.50 | | | 3,493,750.00 | | | 36,211,096.25 |
| February 1, 2023 | 2,737,401.25 | | | 1,827,700.00 | | | 2,161,325.00 | | | 1,064,500.00 | | | 8,855,426.25 |
| August 1, 2023 | 212,431.25 | | | 7,957,700.00 | | | 21,951,325.00 | | | 3,539,500.00 | | | 37,200,456.25 |
| February 1, 2024 | 1,358,200.00 | | | 1,674,450.00 | | | 1,991,450.00 | | | 1,002,625.00 | | | 7,029,350.00 |
| August 1, 2024 | 175,075.00 | | | 8,094,450.00 | | | 23,221,450.00 | | | 3,587,625.00 | | | 38,666,225.00 |
| February 1, 2025 | 640,700.00 | | | 1,513,950.00 | | | 1,813,250.00 | | | 938,000.00 | | | 5,843,900.00 |
| August 1, 2025 | 102,875.00 | | | 8,238,950.00 | | | 24,548,250.00 | | | 3,638,000.00 | | | 40,166,075.00 |
| February 1, 2026 | | | | 8,405,825.00 | | | 1,630,500.00 | | | 870,500.00 | | | 4,717,325.00 |
| August 1, 2026 | | | | 1,168,875.00 | | | 1,438,875.00 | | | 800,000.00 | | | 4,207,750.00 |
| February 1, 2027 | | | | 8,573,875.00 | | | 27,393,875.00 | | | 3,750,000.00 | | | 43,467,750.00 |
| August 1, 2027 | | | | 983,278.13 | | | 1,238,000.00 | | | 726,250.00 | | | 3,673,778.13 |
| February 1, 2028 | | | | 8,753,278.13 | | | 28,938,000.00 | | | 3,811,250.00 | | | 45,313,778.13 |
| August 1, 2028 | | | | 788,531.25 | | | 1,027,375.00 | | | 649,125.00 | | | 3,114,156.25 |
| February 1, 2029 | | | | 8,953,531.25 | | | 30,562,375.00 | | | 3,874,125.00 | | | 47,264,156.25 |
| August 1, 2029 | | | | 583,881.25 | | | 806,500.00 | | | 568,500.00 | | | 2,527,381.25 |
| February 1, 2030 | | | | 9,153,881.25 | | | 32,271,500.00 | | | 3,943,500.00 | | | 49,312,381.25 |
| August 1, 2030 | | | | 369,081.25 | | | 574,500.00 | | | 484,125.00 | | | 1,911,831.25 |
| February 1, 2031 | | | | 9,374,081.25 | | | 34,069,500.00 | | | 4,014,125.00 | | | 51,471,831.25 |
| August 1, 2031 | | | | 143,375.00 | | | 331,000.00 | | | 395,875.00 | | | 1,266,125.00 |
| February 1, 2032 | | | | 5,878,375.00 | | | 35,366,000.00 | | | 4,090,875.00 | | | 49,426,125.00 |
| August 1, 2032 | | | | | | | 125,250.00 | | | 303,500.00 | | | 732,250.00 |
| February 1, 2033 | | | | | | | 35,445,250.00 | | | 4,168,500.00 | | | 43,782,250.00 |
| August 1, 2033 | | | | | | | 64,250.00 | | | 206,875.00 | | | 478,000.00 |
| February 1, 2034 | | | | | | | 37,339,250.00 | | | 4,251,875.00 | | | 45,843,000.00 |
| August 1, 2034 | | | | | | | | | | 105,750.00 | | | 211,500.00 |
| February 1, 2035 | | | | | | | | | | 4,335,750.00 | | | 8,671,500.00 |
| August 1, 2035 | | | | | | | | | | | | | |
| TOTAL | \$ 53,267,338.75 | | | \$ 260,133,968.90 | | | \$ 654,369,312.50 | | | \$ 70,000,000 | | | \$ 1,233,149,934.51 |

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2014, are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 2015, are subject to redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2014, among such maturity dates as are selected by the District and by lot within any one maturity if less than all of the Bonds of one maturity are redeemed, at the following redemption prices (expressed as a percentage of the principal amounts of the Bonds called for redemption), together with interest accrued on the Bonds to the date of redemption.

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---------------------------------------|-------------------------|
| August 1, 2014, through July 31, 2015 | 101% |
| August 1, 2015 and thereafter | 100 |

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2035 are subject to mandatory sinking fund redemption in part by lot on August 1 of each year beginning August 1, 2027, at the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amounts and at the times, as follows:

| <u>Redemption Date</u> | <u>Redemption Amount</u> |
|------------------------|--------------------------|
| <u>August 1</u> | |
| 2027 | \$2,950,000 |
| 2028 | 3,085,000 |
| 2029 | 3,225,000 |
| 2030 | 3,375,000 |
| 2031 | 3,530,000 |
| 2032 | 3,695,000 |
| 2033 | 3,865,000 |
| 2034 | 4,045,000 |
| 2035 (Maturity) | 4,230,000 |

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District). Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of \$5,000 (principal amount) denominations each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Bond will be given by the Paying Agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners of any Bond designated for redemption at their addresses appearing on the bond registration books; (ii) by secured mail to all organizations registered with the Securities and Exchange Commission as securities depositories; (iii) to at least two information services of national recognition which disseminate redemption information with respect to municipal securities; and (iv) as may be further required in accordance with the Continuing Disclosure Certificate of the District. See **"APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE."**

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) (if less than all of the then-outstanding Bonds are to be called for redemption) the distinctive serial numbers of the Bonds of each maturity to be redeemed; (vii) (in the case of Bonds redeemed in part only) the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent or such other location as the Paying Agent may specify; and (x) notice that further interest on such Bonds will not accrue after the designated redemption date. The actual receipt by the Owner of any Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such

notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as provided for in the Resolution, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Resolution, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District or the escrow fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Defeasance of the Bonds

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, certain specified defeasance obligations, in an amount which will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District together with interest to accrue thereon, be fully sufficient, to pay and discharge all Bonds outstanding and designated for defeasance (including all interest, principal, and redemption premium, if any) at or before their respective maturity dates.

Bond Transfer and Exchange

While the DTC book-entry system, described below, is in effect, the Bonds will be represented by one bond for each maturity of each type registered in the name of Cede & Co., as nominee for DTC. For information on bond registration and payment in the event the book-entry system is no longer used, see **"Discontinuation of Book-Entry System"**.

Book-Entry System

The information in this section has been provided by DTC, New York, New York, for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants, as defined herein, will distribute to the Beneficial Owners, as defined herein, either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, 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. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct

Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC,

and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

Discontinuation of Book-Entry System

In the event that the book-entry system described above is no longer used with respect to the Bonds, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office the registration books for the Bonds (the "Bond Register"). Principal, as applicable, shall be made to the person appearing on the Bond Register as the Owner as of the 15th day of the month preceding each Bond Payment Date (the "Record Date").

Principal, as applicable, shall be paid by check mailed to each Owner at each Owner's address as it appears on the Bond Register or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of \$1,000,000 or more of Bonds may request in writing to the Paying Agent that such Owner be paid principal, as applicable, by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

The interest, principal and prepayment premium, if any, of the Bonds, shall be payable at maturity upon surrender at the principal office of the Paying Agent.

Any Bond may be exchanged for other Bonds of like tenor, maturity and transfer amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the transfer amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European

countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2005, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,417,516,000 and its total net unearned premium reserve was approximately \$1,850,446,000 in accordance with statutory accounting principles. At December 31, 2005, Financial Security's consolidated shareholder's equity was approximately \$2,822,902,000 and its total net unearned premium reserve was approximately \$1,509,867,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond 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 Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55

and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

County of Orange v. Orange County Assessment Appeals Board No. 3. In a Minute Order issued on November 2, 2004, in *County of Orange v. Orange County Assessment Appeals Board No. 3, Case No. 00CC03385*, the Orange County Superior Court held that the Orange County assessor violated the 2% annual inflation adjustment provision of Article XIII A when the assessor tried to "recapture" the taxable value of a single family residential property by increasing its assessed value by approximately 4% in a single year. The assessor had not increased the assessed value of the property during a year in which the market value of the property was determined by the assessor to have declined below its taxable value pursuant to Article XIII A. In the following year, the assessor established the taxable value of the property by determining that its then-current market value was greater than if the 2% annual inflation adjustment had been applied in the previous year. The assessor enrolled the property at a taxable value that recaptured the foregone 2% inflation adjustment from the previous year, resulting in a one-year increase of approximately 4%. The assessors in most California counties use a similar methodology in raising the taxable values of certain property beyond 2% in a single year. Similar actions have been filed in other counties.

In a ruling issued on December 12, 2002, the Orange County Superior Court held that any Orange County taxpayer whose property's assessed value rose more than 2% since 1979 due to recapturing was part of the certified class action lawsuit filed against the County of Orange in 2000. If upheld on appeal, the class action suit may result in \$1 billion in improperly collected taxes being returned to Orange County taxpayers. On January 30, 2003, the Orange County Superior Court held a hearing and ruled on the motion to determine if the Orange County Tax Collector must notify affected taxpayers of their right to file tax refund claims. The Court granted the motion, but immediately put a hold on its implementation pending further review by the appellate courts on this entire case. On April 18, 2003, a final judgment was entered, ruling against the current statewide practice of restoration of a property assessment based on the market value after a prior assessment reduction due to an economic downturn. On June 12, 2003, an appeal was filed. On January 7, 2004, oral arguments on the appeal were conducted before the Court of Appeal of the State of California, Fourth District (the "Fourth District Court of Appeal"). On March 26, 2004, the Fourth District Court of Appeal upheld Orange County's method of assessing taxes. On May 5, 2004, a petition for appeal was filed with the California Supreme Court for review of the decision. On July 21, 2004, the California Supreme Court denied the petition for appeal.

Article XIII C and Article XIII D of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, 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 on 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 California Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of bonds duly authorized and issued or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes which are pledged as security for payment of the bonds. 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 XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees or assessments imposed by the District. 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.

Expenditures and Appropriations

Article XIIB of the California Constitution. In addition to the limits Article XIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIB of the California Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIB also does not limit appropriation of local revenues to pay debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity each has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts. See **"THE DISTRICT – Appropriations Limit"** herein for the District's current year and budget year appropriations limit and appropriations subject to the limit.

Future Initiatives. Article XIIA, Article XIIB, Article XIIC, Article XIID, as well as Propositions 218 and 111, 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.

SCHOOL DISTRICT PROPERTY TAXATION

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 February 1, and payments become delinquent on December 10 and April 10, respectively. Most unsecured bills are mailed before July 31. These bills must be paid on or before August 31. If the bill is mailed after July 31, the delinquent date is extended to the end of the month following the bill's issuance. 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 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 California 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 under Article XIII A (allowed for increases in value due to new construction, certain changes of ownership, and an inflation allowance of not more than 2% per year) 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.

For assessment and tax collection purposes, property is classified either as "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-assessed property and property (real or personal) the taxes on which are secured by a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. All other property is "unsecured", and is assessed on the "unsecured roll".

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Taxpayers seeking a reduction may also appeal assessments. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization ("SBE") with the appropriate county board of equalization or assessment appeals board (the "Appeals Board"). After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the property assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Appeals Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund of overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The "base year" is

determined by the completion date of new construction or the date of change of ownership. Any "base year" appeal must be made within four years of the change of ownership or new construction date.

Some appeals are based on Section 51 of the Revenue and Taxation Code which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the California Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. During the recession of the 1990's significant reductions took place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Counties and SBE have generally determined that such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the California Constitution. Once the property has regained its base year value, adjusted for inflation, it once again is subject to the maximum annual inflationary factor growth rate allowed under Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions, ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Until fiscal year 2001-02, SBE assessment of investor-owned gas and electric companies, incumbent local exchange companies, AT&T Corp., and AT&T Communications of California, Inc., will be subject to a court-approved agreement dated May 1, 1992 (the "Settlement Agreement"), among those companies, the SBE and all California counties. The Settlement Agreement arose from litigation against SBE in which the court held that the SBE's valuation approaches had overvalued AT&T's unitary property, and ordered AT&T's statewide assessed value to be reduced from approximately \$1.75 billion to approximately \$1.1 billion. The Settlement Agreement provides that its valuation method is not intended to be precedent for calculating fair market value of unitary property in years following its expiration.

While the Settlement Agreement has been in effect, the California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed following the expiration of the Settlement Agreement, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Allocation of State Funding to Districts"**, herein.

The historical secured and unsecured assessed valuation for the District is listed below:

| 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> |
| 2001-02 | \$14,425,070,001 | \$50,470,907 | \$819,530,920 | \$15,295,071,828 |
| 2002-03 | 15,264,716,553 | 47,769,561 | 845,837,829 | 16,158,323,943 |
| 2003-04 | 16,523,400,415 | 47,437,220 | 832,007,819 | 17,402,845,454 |
| 2004-05 | 18,694,802,748 | 34,877,710 | 942,323,175 | 19,672,003,633 |
| 2005-06 | 20,898,373,912 | 35,233,047 | 937,524,349 | 21,871,131,308 |

Source: California Municipal Statistics, Inc.

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 Treasurer. Collection efforts against a taxpayer who has sought protection from creditors in United States Bankruptcy Court, or against secured property the value of which has been compromised by environmental contamination or natural disaster, may be fruitless to recover unpaid taxes due with respect to such property.

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 November 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) filing 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 Losses 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 losses 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. The board of supervisors of a county may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in its county in which delinquencies exceed 3% in any tax year.

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 ⁽¹⁾</u> |
|--------------------|--|--|--|
| 2000-01 | \$178,796,035.92 | \$4,603,059.80 | 2.57% |
| 2001-02 | 195,044,021.02 | 4,881,720.67 | 2.50 |
| 2002-03 | 212,918,218.87 | 5,206,917.27 | 2.45 |
| 2003-04 | 239,582,221.67 | 5,549,997.53 | 2.32 |
| 2004-05 | 283,773,136.79 | 6,244,281.37 | 2.20 |

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

Note: Under the Teeter Plan described above, as long as the Teeter Plan remains in effect, taxes levied by the County will be credited to the District for repayment of the Bonds as if received in their entirety and will not be reduced by any taxpayer delinquencies.

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 2005-06 assessed valuation of \$5,977,279,493, approximately 28.70% of the District's total assessed value. The components of the 2005-06 property tax rate levied in TRA 08001 are set forth below.

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

| | <u>2005-06 Tax Rates</u> |
|---|--------------------------|
| General | 1.0000% |
| City of Richmond | .1400 |
| Bay Area Rapid Transit District | .0048 |
| East Bay Regional Park District | .0057 |
| West Contra Costa Unified School District | .1041 |
| Contra Costa Community College District | .0047 |
| Total | 1.2593% |

Source: California Municipal Statistics, Inc.

Major Taxpayers

The 20 largest taxpayers in the District, as shown on the 2005-06 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 \$3,738,699,615 or approximately 17.89% of the District's total 2005-06 secured tax roll.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Major Taxpayers 2005-06

| <u>Property Owner</u> | <u>Primary Land Use</u> | <u>2005-06 Assessed Valuation</u> | <u>% of Total ⁽¹⁾</u> |
|----------------------------------|-------------------------|---------------------------------------|--------------------------------------|
| Chevron USA, Inc. | Industrial | \$2,678,641,859 | 12.82% |
| Berlex Laboratories Inc. | Industrial | 130,245,822 | 0.62 |
| Bio-Rad Laboratories Inc. | Industrial | 120,004,638 | 0.57 |
| Lennar Emerald Marina Bay | Apartments | 98,514,500 | 0.47 |
| MCD-RCCA-El Cerrito LLC | Shopping Center | 78,369,065 | 0.38 |
| Richmond Associates LLC | Shopping Center | 66,625,996 | 0.32 |
| Richmond Essex LP | Apartments | 63,905,294 | 0.31 |
| Richmond Parkway Associates | Apartments | 58,566,354 | 0.28 |
| Dicon Fiberoptics inc. | Industrial | 56,737,293 | 0.27 |
| DDR Hilltop Plaza LLC | Shopping Center | 48,203,635 | 0.23 |
| Cherokee Simeon Venture I | Office Building | 44,135,827 | 0.21 |
| William Lyon Homes Inc. | Residential Development | 41,611,094 | 0.20 |
| Fairfield Hilltop LP | Apartments | 37,630,801 | 0.18 |
| Steadfast Hilltop Commons | Apartments | 35,297,446 | 0.17 |
| BP West Coast Products | Industrial | 34,053,173 | 0.16 |
| Steelscape Inc. | Industrial | 32,949,205 | 0.16 |
| National Gypsum Company | Industrial | 30,456,456 | 0.15 |
| California Fats and Oils | Industrial | 28,652,824 | 0.14 |
| Point Richmond R&D Associates II | Industrial | 27,368,050 | 0.13 |
| Toll Land XIX LP | Residential Development | 26,730,283 | 0.13 |
| | | <u>\$3,738,699,615</u> | <u>17.89%</u> |

⁽¹⁾ 2005-06 Total Local Secured Assessed Valuation: \$20,898,373,912.

Source: California Municipal Statistics, Inc.

Chevron USA, Inc., the largest taxpayer in the District, currently represents 12.82% of the total local secured assessed valuation. Below are historical local secured assessed valuations of Chevron USA Inc., as of January 1 of each year.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT History of Secured Assessed Valuation Chevron USA, Inc.

| <u>Year</u> | <u>Assessed Valuation</u> |
|-------------|---------------------------|
| 1995-96 | \$2,014,953,751 |
| 1996-97 | 2,100,073,633 |
| 1997-98 | 1,885,402,056 |
| 1998-99 | 1,791,537,701 |
| 1999-00 | 1,811,178,226 |
| 2000-01 | 1,656,340,376 |
| 2001-02 | 2,215,633,236 |
| 2002-03 | 1,974,950,102 |
| 2003-04 | 1,914,978,281 |
| 2004-05 | 2,466,999,259 |
| 2005-06 | 2,678,641,859 |

Source: California Municipal Statistics, Inc.

Chevron has appealed its 2004-05 and 2005-06 assessed valuation and has asked the County for a reduction of approximately \$1.7 billion for 2004-05 and did not provide an estimate of value when filing their 2005-06 appeal, which the County must interpret as a \$0 value. No conclusion has been reached yet on either appeal. Though Chevron has appealed its assessed value in nine of the past eleven years, these appeals are by far the largest to date. For the appeals that have been concluded in the past eleven years, the County has granted between 0% and 16.14% reduction of Chevron's assessed value as a result of an appeal by Chevron. Should the County grant a reduction of Chevron's assessed value, the annual tax rate on all taxable property within the District will increase. The District cannot predict what the final outcome of the 2004-05 and 2005-06 Chevron appeals will be.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education

General. 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. State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. As a result, decreases in State revenues can affect appropriations made by the Legislature to school districts. In periods when State funding for public education is reduced or the State experiences budget problems, the District's financial position may be affected, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Notes.

As is true for all school districts in California, District operating income consists of four components: (1) Revenue Limit Sources (consisting of a mix of State and local property tax revenues), (2) Federal Sources, (3) Other State Sources and (4) Other Local Sources. The Revenue Limit Sources includes both a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the California Constitution. In addition, school districts may be eligible for other funding, including State and Federal program funding, as well as revenue derived from local sources besides property taxes. See "**Allocation of State Funding to Districts**" and "**Other Sources of Education Funding**" below.

State Budget. According to the California Constitution, the Governor is required to propose a budget to the Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. For information about recent developments regarding the State's economy and finances and on recent and current State budgets, see "**CALIFORNIA STATE BUDGET**" herein.

Proposition 98. On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level, primarily by guaranteeing K-14 schools a minimum share of State general fund revenues. Proposition 98 (as modified by Proposition 111, enacted on June 5, 1990) guarantees K-14 schools the greater of: (a) in general, a fixed percentage of State 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 replaces Test 1 and Test 2 in any year the percentage growth in per capita State 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 receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State 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 becomes a "credit" (called the "maintenance factor") to schools and the basis of payments in future years when per capita State general fund revenue growth exceeds per capita personal income growth. Proposition 98 implementing legislation adopted prior to the end of the 1988-89 fiscal year determined the K-14 schools' funding guarantee under Test 1 to be 40.3% of the State general fund tax revenues, based on 1986-87 appropriations. However, this funding guarantee has been adjusted to approximately 35% of 1986-87

appropriations to account for subsequent changes in the allocation of local property taxes, since these changes altered the share of State general fund revenues received by schools. Proposition 98 also contains provisions for the transfer of certain State tax revenues in excess of the Article XIII B limit to K-14 schools in Test 1 years when additional moneys are available.

The Proposition 98 guarantee is funded from two sources: local property taxes and the State general fund. Any amount not funded by local property taxes is funded by the State general fund. Thus, local property tax collections represent an offset to State general fund costs in a Test 2 or Test 3 year.

Proposition 98 permits the Legislature, by a two-thirds vote of both and with the Governor's concurrence, to suspend the K-14 schools' minimum funding guarantee for a one-year period. Restoration of the Proposition 98 funding level to the level that would have been required in the absence of such a suspension occurs over future fiscal years according to a specified State constitutional formula.

In August 2005, the California Teachers Association along with State Superintendent of Public Instruction (together, the "Plaintiffs") filed a lawsuit against the Governor, the State Director of Finance and the State Controller (together, the "Defendants") for \$3.1 billion in additional school funding under Proposition 98. The Plaintiffs argue that when an agreement was reached for the 2004 Budget Act to suspend Proposition 98 for 2004-05, to reduce school funding by \$2 billion, and to restore the funding as State revenues increased, schools would be entitled to the full calculation of Proposition 98 less the \$2 billion reduction agreed upon. The Plaintiffs contest that the shortfall under Proposition 98 is now \$3.1 billion over and above the \$2 billion reduction agreed upon. The lawsuit points to increased State revenues during the 2004-05 budget year as a source of \$1.8 billion in additional funding owed to schools under the agreement. In addition the lawsuit argues that the 2005-06 Proposition 98 funding was based on the lowered 2004-05 funding level, creating an additional funding shortfall of \$1.3 billion.

The Defendants deny that the Plaintiffs have adequately alleged a duty on the Defendants' part to recalculate the Prop 98 guarantee and, if a duty exists, to calculate it in the manner alleged. Further, the Defendants assert the court lacks jurisdiction over this matter and that it has no authority to require the requested recalculation under the separation of powers doctrine.

In February 2006, a Sacramento Superior Court granted a motion for the California School Boards Association and its Education Legal Alliance, along with the Association of California School Administrators, to intervene in the legal battle over the \$3.1 billion in additional school funding under Proposition 98. The District cannot predict what the final outcome of this lawsuit will be.

Allocation of State Funding to Districts

Under Education Code Section 42238 *et seq.* each school district is determined to have a target funding level: a revenue limit ("Revenue Limit") per student multiplied by the district's student enrollment measured in units of average daily attendance ("ADA"), a measure based upon the actual attendance of students without provision for excused absences. Enrollment can fluctuate due to factors such as district population, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will lower a school district's Revenue Limit (and may result in loss of operating revenues), without necessarily permitting the district to make adjustments in fixed operating costs.

The Revenue Limit is calculated from the district's prior-year funding level, as adjusted for a number of factors such as inflation, special or increased instructional needs and costs, and especially low enrollment. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's Revenue Limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State equalization aid or colloquially as "backfill". To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

A school district's property tax revenues is comprised of the district's share of the local 1% property tax, received pursuant to Sections 75 *et seq.* and Sections 95 *et seq.* of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. The more local property taxes a district receives, the less State equalization aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its Revenue Limit is entitled to receive no

equalization aid, and receives only its special categorical aid and the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts are known colloquially as "basic aid districts". Districts that receive some equalization aid may be referred to as "revenue limit districts".

The District is not a "basic aid district."

See **"THE DISTRICT – Average Daily Attendance and Revenue Limit"** for historical and projected ADA and Revenue Limit per ADA of the District.

Other Sources of Education Funding

In addition to the Revenue Limit, school districts in the State may receive other revenue from the State and from federal and local sources including grants and funding for specific programs.

Federal Revenues. The federal government provides funding for several programs, including special education programs, programs under the Educational Consolidation and Improvement Act (Title 1), No Child Left Behind funding, and specialized programs such as Drug Free Schools.

Other State Revenues. In addition school districts receive 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 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 ADA or full time equivalent ("FTE"). This figure is derived by dividing the total net revenues figures by the total ADA for grades K–12 and community colleges, and by the total FTE for the University of California system and the California State University and College system. Each entity receives an amount equal to its total ADA or FTE, as applicable, multiplied by the per ADA or FTE figure. See **"THE DISTRICT – Lottery Income"** for lottery income amounts received by the District.

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 District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Los Angeles County Superintendent of Schools.

A county superintendent of schools must review and approve or disapprove the budgets for each district under its jurisdiction no later than August 15. The county superintendent of schools is required to examine a district's 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 with the established standards. If a budget is disapproved, it is returned to the district with recommendations for revision. The district is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the county superintendent of schools no later than September 8. Pursuant to State law, the county superintendent of schools 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. After approval of an adopted budget, the district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent of schools will monitor each district in its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current and subsequent year financial obligations. If the county superintendent of schools determines that the 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 may then 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 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 governing 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 a collective bargaining agreement that was entered into prior to the date upon which the county superintendent of schools assumed authority.

A State law adopted in 1991 (known as "AB 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the county superintendent of schools (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent of schools reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent.

The District's latest interim report, as of January 31, 2006, was certified "positive" by the County Superintendent. The District has filed positive interim reports since 1995-96.

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. Each county treasurer serves as *ex officio* treasurer for those school districts under jurisdiction of the county superintendent of schools of 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 California Government Code Section 53601 *et seq.* In addition, each county is required to establish its own investment policies, which may provide further limitations beyond those required by the California Government Code.

See "**COUNTY INVESTMENT POLICIES AND PRACTICES**" for a discussion of the County investment pool, valuation procedures, and investment policies.

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.

The District retains an independent auditor (the "Auditor") and its audited financial report for fiscal year ended June 30, 2005, is attached hereto as **APPENDIX B**. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained

from the Auditor in connection with the inclusion of such statements in this Official Statement. The Auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit was concluded.

CALIFORNIA STATE BUDGET

Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance at www.dof.ca.gov. An impartial analysis of the budget is posted by the Legislative Analyst's Office ("LAO") at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer at www.treasurer.ca.gov.

The State has not entered into any contractual commitment with any party related to this financing to provide State budget information. Although the State sources of information listed are believed to be reliable, the District, the Financial Advisor, and the Underwriter assume no responsibility for the accuracy of the State budget information set forth or referred to herein.

The Budget Process

The State's fiscal year begins on July 1 and ends on June 30 of the following year. The annual budget is proposed by the Governor by January 10 for the next fiscal year. In May the Governor offers a revision to the proposed budget and a final budget act must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure.

As required by Proposition 58, the Balanced Budget Act approved by State voters on March 2, 2004, beginning with fiscal year 2004-05, the Legislature may not pass a budget bill in which State general fund expenditures exceed estimated State general fund revenues and fund balances at the time of the passage.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of annual expenditure appropriations is the annual budget act, however, appropriations may be included in other legislation. Bills containing State general fund appropriations must be approved by a two-thirds majority vote in each house of the Legislature and be signed by the Governor, except bills containing appropriations for K-12 schools or community colleges (the "K-14 Districts"), which require a simple majority vote, and continuing appropriations, which are available without regard to the fiscal year and may be provided by statute or the State Constitution. Funds necessary to meet an appropriation are not required to be in the State Treasury at the time an appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent Developments Regarding State Economy and Finances

Following a severe recession in the early 1990s, the State's economy grew strongly between 1994 and 2000, generally outpacing the nation, and as a result, for the five fiscal years from 1995-96 to 1999-00, the State's general fund tax revenues exceeded the estimates made at the time the budgets were enacted. These additional funds were largely directed to school spending, including education spending above Proposition 98 minimums.

Following these years of major increase, State general fund revenues plunged largely due to reduced personal income taxes from stock option and capital gains activity following the stock market crash and national economic recession beginning in 2001. The State ended fiscal year 2001-02 with a \$2.1 billion negative fund balance, fiscal year 2003-04 with a \$7.5 billion negative fund balance, and fiscal year 2003-04 with a reserve of \$1.7 billion, including proceeds from the \$10.9 billion Economic Recovery Bonds sold in 2004, as defined below.

Economic Recovery Act. The California Economic Recovery Bond Act (Proposition 57) approved by the voters in March 2004 authorized the issuance of up to \$15 billion of economic recovery bonds (the "Economic Recovery Bonds") to finance the negative State general fund reserve balance as of June 30, 2004, and other State general fund obligations. The Economic Recovery Bonds are secured by a pledge of revenues from an increase in the State's share of the sales and use tax of one-quarter cent beginning July 1, 2004. The share of the tax going to local governments will be reduced by the same amount and, in exchange, local governments will receive an increased share of the local property tax (and K-14 Districts a reduced share) during the time the one-quarter cent is being used to pay off the bonds. This shift in property taxes between K-14 Districts and local governments is commonly known as the "triple flip".

Fiscal year 2004-05 saw a continuing rebound in the State economy, including the impact of \$2.0 billion in Economic Recovery Bonds. The 2006 Proposed Budget (discussed below) projects 2004-05 prior year resources of \$7.23 billion, revenues and transfers of \$82.21 billion, expenditures of \$79.80 billion, and ending balances of \$9.63 billion. These improvements are attributable mainly to major tax revenue gains, including tax amnesty related payments (discussed below) and proceeds from the Economic Recovery Bonds issued in 2003-04. The 2006 Proposed Budget projects total fiscal year 2004-05 Proposition 98 funding for K-12 education to be \$42.1 billion, including both State General Fund and local property tax revenue, or \$7,042 per ADA.

Tax Amnesty Program. The State created a limited-term tax amnesty program as part of the 2004 Budget Act (the "Tax Amnesty Program") which waived penalties for taxpayers who applied for amnesty for tax years before 2003 in the two-month period from February 1, 2005 through March 31, 2005. The Tax Amnesty Program applied to the three major State general fund taxes: the personal income tax, corporate tax, and sales and use tax. Tax amnesty payments for prior fiscal years were accounted as prior year adjustments to the 2004-05 year due to the State's accrual method of accounting, resulting in a \$3.8 billion increase the 2004-05 beginning balance. Collections are expected to be reduced by approximately \$3.4 billion through 2010-11 due to accelerated payments that would have been received in future years and refunds as taxpayers prevail in their audit disputes.

Fiscal Year 2005 Budget and 2006 Proposed Budget

The discussion below is based on estimates and projections of revenues and expenditures for the fiscal years 2005-06 and 2006-07 and future fiscal years and must not be construed as statements of fact. These estimates and projections are based upon various assumptions, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved.

2005 Budget Act. On July 11, 2005, the Governor signed into law the 2005 Budget Act (the "2005 Budget Act"). The 2005 Budget Act projected 2005-06 prior year balances of \$7.5 billion, revenues and transfers of \$84.5 billion, expenditures of \$90.0 billion and a year-end fund balance of \$1.9 billion. The 2006 Budget Act, summarized below, updates these figures reflecting stronger-than-expected capital gains and other cyclical factors, and a small increase in the net impact of the tax amnesty program, though this increase in revenue is predominantly one-time and not ongoing and will not help the State's structural imbalance (See "**State Budget Structural Imbalance**" below) to prior year balances of \$9.6 billion, revenues and transfers of \$87.7 billion, expenditures of \$90.3 billion and a year-end fund balance of \$7.0 billion.

The 2005 Budget Act included estimated 2005-06 Proposition 98 funding for K-12 education of \$44.6 billion, or \$7,402 per ADA, a COLA of 4.23 percent for most school district and county office of education revenue limit apportionments, and funding of an assumed 0.7 percent increase in ADA statewide. The 2006 Budget Act, summarized below, updates these figures to a total 2005-06 Proposition 98 funding for K-12 education of \$44.6 billion, or approximately \$7,427 per ADA, and an assumed increase in ADA of 0.47 percent.

The 2005 Budget Act also provided \$316 million in one-time settle-up funds associated with prior years' Proposition 98 K-12 funding. These funds were to be spent on K-12 initiatives including mandate cost reimbursements deferred from prior years (\$61 million), a low-performing school enrichment block grant (\$22 million), increasing fruits and vegetables in the school breakfast program (\$18 million), and school facility emergency repairs pursuant to the *Williams v. State of California* lawsuit settlement (\$184 million).

In August 2005, the California Teachers Association along with State Superintendent of Public Instruction filed a lawsuit against the Governor, the State Director of Finance and the State Controller for \$3.1 billion in additional school funding. This suit is still pending. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – State Funding of Education."**

2006 Proposed Budget. On January 10, 2006, the Governor proposed the budget for the fiscal year 2006-07 ("2006 Proposed Budget"). The 2006 Proposed Budget anticipates prior year balances of \$7.0 billion, revenues and transfers of \$91.6 billion, expenditures of \$797.9 billion and a year-end fund balance of \$674 million. These budget figures reflect increased State general fund revenues related to the ongoing higher revenue trend. The 2006 Proposed Budget features \$920 million for partial prepayment of a transportation loan due in 2007-08, \$460 million in additional deficit financing bond repayments and \$525 million in lost pension obligation bond proceeds due to the Superior Court ruling against the bonds.

The 2006 Budget Act estimated 2006-07 Proposition 98 funding for K-12 education of \$48.4 billion, or approximately \$8,030 per ADA, of which \$36.4 billion will come from the State General Fund and the remaining \$12.0 billion from local property taxes projected for each school district. The 2006 Budget Act includes a COLA of 5.18% for most school district and county office of education revenue limit apportionments, and funding of an assumed 0.21 percent increase in ADA statewide.

Including property taxes, total Proposition 98 funding will increase by \$4.3 billion from 2005-06, reflecting an over-appropriation of \$1.7 billion above the Proposition 98 guarantee level supported through increased State general fund revenues and strong local property tax growth. The LAO estimates that the 2006 Proposed Budget additionally provides \$200 million for equalization aid, as well as \$200 million to partially repay outstanding deficit factor for reductions in prior years revenue limits. According to Proposition 49 the higher State 2006-07 spending level requires an increase of \$428 million for the After-School Education and Safety Program, totaling \$550 million included in total Proposition 98 spending. Other features of the budget that effect education include:

- \$100 million in a School Enrichment Block Grant to support teacher and principal retention and recruitment at schools in the bottom three API deciles.
- \$65 million to expand the Beginning Teacher Support and Assessment System ("BTSA") to fund a third year of support to teachers in deciles 1-3 schools and provide a voluntary year to experienced teachers new to deciles 1-3 schools.
- \$100 million to create a new Art and Music Block Grant to support standards-aligned art and music instruction in grades K-8.
- \$85 million to support physical education instruction and staffing in elementary schools, including a new Physical Education Grant Program.
- \$133 million towards prior-year settle up designated to fund state reimbursable mandates for community colleges and school districts.

State Budget Structural Imbalance

Including the higher revenue trend, LAO believes that expenditures will continue to exceed projected revenues by over \$5 billion in 2007-08. LAO has indicated that although the 2006 Proposed Budget pays down a considerable amount of debt much debt remains to be paid from future budgets and along with program expansions the proposal does not solve out-year budget problems. LAO has raised concerns that the 2006 Proposed Budget should focus more on paying down existing debt before making expansive new commitments.

THE DISTRICT

The information in this section concerning the operations of the District and the District's operating 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 interest, principal and premium, if any, 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 "SCHOOL DISTRICT PROPERTY TAXATION" and "THE BONDS — Security and Sources of Payment". Investors' attention is directed to the information in this section concerning District Debt Structure and Statement of Direct and Overlapping Debt which contain information about certain bond obligations payable from ad valorem taxes.

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, 6 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 pupil-teacher ratio in the District is 28:1.

Board of Education

The District is governed by a five-member Board of Education (the "Governing Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The current members of the Board together with the expiration of their terms are as follows:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Governing Board and Term

| <u>Name</u> | <u>Position</u> | <u>Expiration of Term</u> |
|--------------------|-----------------|---------------------------|
| Charles T. Ramsey | President | December 1, 2006 |
| Karen Pfeifer | Clerk | December 1, 2008 |
| Karen Leong Fenton | Member | December 1, 2006 |
| Dave Brown | Member | December 1, 2008 |
| Glen Price | Member | December 1, 2006 |

Source: The District.

Average Daily Attendance and Revenue Limit

The District computes average daily attendance ("ADA") based on actual attendance only, with no allowances for excused absences. The following table sets forth the ADA based on the Second Period Report of Attendance for the past four years and an estimate for 2005-06:

| WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT | |
|--|---------------------------------|
| Average Daily Attendance | |
| <hr/> | |
| <u>Academic Year</u> | <u>Average Daily Attendance</u> |
| 2001-02 | 33,535 |
| 2002-03 | 33,455 |
| 2003-04 | 32,286 |
| 2004-05 | 32,509 |
| 2005-06 (projected) | 31,213 |

Note: Includes grade levels K – 12, special education, adult education and charter schools.

Source: The District.

The District's annual revenue limit per ADA was \$4,970 for 2004-05 and is projected to be \$5,181 for 2005-06. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Allocation of State Funding to Districts"**.

Appropriations Limit

The District had a 2004-05 appropriations limit of \$176,427,563 and had appropriations subject to the limit of \$176,427,563. The District projects a 2005-06 appropriations limit of \$186,041,927. See **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Expenditures and Appropriations"** herein.

Lottery Income

The District's State Lottery revenue was \$4,705,378 for 2004-05 and is projected to be \$4,599,501 for 2005-06. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Other Sources of Education Funding"** herein.

Labor Relations

The District employs 1,920.20 full-time equivalent ("FTE") certificated and 1,889.90 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</u> | <u>Contract Expiration</u> ⁽¹⁾ |
|---------------------------------|----------------------------|---|
| United Teachers of Richmond | 1,863 full-and part-time | June 30, 2008 |
| Public Employees Union, Local 1 | 943 full-and part-time | June 30, 2005 |
| School Supervisors Association | 84 full-and part-time | June 30, 2005 |
| Administrators Association | 109 full-and part-time | June 30, 2008 |

⁽¹⁾ All contracts are subject to annual reopeners on salaries. Negotiations with Public Employees Union, Local 1 and School Supervisors Association are still underway. District will continue to operate based upon existing contracts until settlements are reached.

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 2004-05 was \$8,957,993 and in fiscal year 2005-06 is expected to be \$9,287,998.

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 creditable service in PERS. The District's contribution to PERS for fiscal year 2004-05 was \$3,410,786 and is projected to be \$3,452,806 for 2005-06.

Both STRS and PERS are operated on a statewide basis and, based on available information, both STRS and PERS have unfunded liabilities. (Additional funding of STRS by the State and the inclusion of adjustments of such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension-award benefit obligation (PERS) or unfunded actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions that the District may be required to make.

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

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 two-thirds majority approval at the general election, which the District believes validated the levy of the MRAD tax. See "**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Limitations on Revenues.**" 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 Governing Board.

Parcel Tax

On June 8, 2004, voters within the District approved a parcel tax to maintain reduced class sizes, purchase textbooks and teaching materials, attract and retain qualified teachers, aides and counselors, enhance core subjects, restore library services and athletic programs, and improve custodial services (the "Parcel Tax"). The District will collect annually 72 cents (\$0.072) per square foot of total building area of buildings within the District's geographic boundaries or \$7.20 per vacant parcel, with an exemption for qualified seniors. The Parcel Tax is expected to generate approximately \$9 million annually. The Parcel Tax became effective on July 1, 2004, and expires June 30, 2009.

Comparative Financial Statements

The following table summarizes the District's General Fund revenue, expenditures and fund balances for the fiscal years 2001-02 through 2004-05, and budgeted revenue, expenditures and fund balance for the fiscal year 2005-06.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
General Fund ⁽¹⁾
Revenues, Expenditures and Fund Balances
2001-02 through 2005-06
(In Thousands)

| | 2001-02 <u>Actual⁽²⁾</u> | 2002-03 <u>Actual⁽²⁾</u> | 2003-04 <u>Actual⁽²⁾</u> | 2004-05 <u>Actual⁽²⁾</u> | 2005-06 <u>Adjusted Budget⁽³⁾</u> |
|---|--|--|--|--|---|
| REVENUE | | | | | |
| Revenue Limit Sources | \$154,348 | \$158,488 | \$157,412 | \$158,112 | \$159,491 |
| Federal Revenue | 20,064 | 22,445 | 24,878 | 27,648 | 33,365 |
| Other State Revenue | 71,601 | 63,570 | 54,238 | 57,644 | 60,925 |
| Other Local Revenue | <u>9,521</u> | <u>8,951</u> | <u>9,390</u> | <u>20,343</u> | <u>18,329</u> |
| TOTAL REVENUE ⁽⁴⁾ | <u>\$255,535</u> | <u>\$253,453</u> | <u>\$245,918</u> | <u>\$263,747</u> | <u>\$272,110</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | \$158,949 | \$154,487 | \$152,941 | \$157,111 | \$169,102 |
| Instruction Related Activities | 34,746 | 39,317 | 37,803 | 36,054 | 42,751 |
| Pupil Services | 14,826 | 16,147 | 16,597 | 16,303 | 18,099 |
| General Administration | 12,244 | 12,288 | 13,218 | 14,088 | 14,957 |
| Plant Services | 27,213 | 26,705 | 25,755 | 25,288 | 33,675 |
| Community Services | -- | -- | -- | 27 | 9 |
| Ancillary Services | 2,402 | 2,702 | 2,128 | 2,254 | 2,756 |
| Other Outgo | 2 | 493 | 637 | 2,903 | 932 |
| Debt Service | | | | | |
| Principal | 350 | 350 | 300 | 300 | 300 |
| Interest and Other | <u>787</u> | <u>172</u> | <u>169</u> | <u>174</u> | <u>184</u> |
| TOTAL EXPENDITURES ⁽⁴⁾ | <u>\$251,519</u> | <u>\$252,662</u> | <u>\$249,549</u> | <u>\$254,502</u> | <u>\$282,765</u> |
| EXCESS OF REVENUE OVER/ (UNDER) EXPENDITURES | <u>\$ 4,016</u> | <u>\$ 791</u> | <u>\$ (3,631)</u> | <u>\$ 9,245</u> | <u>\$ (10,655)</u> |
| OTHER FINANCING SOURCES/ (USES) | | | | | |
| Transfers In/ Other Sources | \$ 23 | \$ 180 | \$ 417 | \$ 985 | \$ 3,040 |
| Transfers Out/ Other uses | <u>(2,684)</u> | <u>(2,559)</u> | <u>(3,862)</u> | <u>(2,330)</u> | <u>(1,578)</u> |
| TOTAL ⁽⁴⁾ | <u>\$ (2,661)</u> | <u>\$ (2,379)</u> | <u>\$ (3,445)</u> | <u>\$ (1,345)</u> | <u>\$ 1,462</u> |
| INCREASE (DECREASE) IN FUND BALANCE | <u>\$ 1,355</u> | <u>\$ (1,588)</u> | <u>\$ (7,076)</u> | <u>\$ 7,900</u> | <u>\$ (9,193)</u> |
| BEGINNING FUND BALANCE, JULY 1 | <u>\$ 26,045</u> | <u>\$ 27,400</u> | <u>\$ 25,812</u> | <u>\$ 18,736</u> | <u>\$ 26,318</u> |
| ENDING FUND BALANCE, JUNE 30 | <u>\$ 27,400</u> | <u>\$ 25,812</u> | <u>\$ 18,736</u> | <u>\$ 26,636</u> | <u>\$ 17,125</u> |

(1) Data reflects activities of the General and Charter School funds through 2004-05. Responsibility for charter schools financial reporting subsequently rests with each charter school and not with the District.

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

(3) Second Interim Report as of January 31, 2006.

(4) Items may not add to totals due to independent rounding.

Prior Financial History of the District

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 with respect to the 1988 Certificates, as defined herein. Since that time, the District withdrew from bankruptcy in November 1991, received substantial amounts of Emergency Apportionment from the State, elected all new Governing Board members, replaced the superintendent and certain other administrative officers of the District, cured the defaults with respect to, and defeased to maturity, the 1988 Certificates, and implemented measures to improve its financial condition resulting in positive certification of its interim financial reports since 1995-96. Dr. Fred Stewart, who served as State administrator from May 1991 until February 1992, remains as the State trustee with the power to stay or rescind any action of the Governing Board that might have an adverse effect on the financial condition of the District until the Emergency Apportionment has been repaid in 2018. No assurance can be given with respect to the future financial condition of the District. See "THE DISTRICT – District Debt Structure" and "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION" herein.

District Debt Structure

Emergency Apportionment — In July 1990, the District obtained an Emergency Apportionment from the State in the amount of \$9,525,000. In May 1991, the District received an additional Emergency Apportionment from the State in the amount of \$19,000,000 under the conditions of a court order. In June 1993, further legislation was enacted providing that the two Emergency Apportionments from the State be consolidated into one with a 15-year repayment period and an annual interest rate of 4.543%. Subsequent legislation in October 1997, Assembly Bill 437, amortized over 20 years the remaining Emergency Apportionment amount outstanding after the February 1998 payment and bearing interest at 5.692%. Additional legislation, Assembly Bill 2756, reduced the interest rate of the repayment of the Emergency Apportionment to 1.52% thereby reducing annual payments by approximately \$400,000. Payments are made on February 1 of each year from any available funds of the District. A schedule of Emergency Apportionment payments remaining is shown below.

Following certain legislation adopted in 2004 and 2005, Assembly Bills 1554 and 1331, respectively, the District's Emergency Apportionment will be repaid from the proceeds of the California Infrastructure and Economic Development Bank State School Fund Apportionment Lease Revenue Bonds, Series 2005 (the "Infrastructure Bank Bonds"). The District will make future payments for its Emergency Apportionment to the California Infrastructure and Economic Development Bank through a lease-leaseback arrangement on one of its elementary schools.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Repayment of Emergency Apportionment

| <u>Year Ending June 30</u> | <u>Amount Due</u> |
|----------------------------|---------------------|
| 2007 | \$1,421,602 |
| 2008 | 1,421,602 |
| 2009 | 1,421,602 |
| 2010 | 1,421,602 |
| 2011 | 1,421,602 |
| 2012-2016 | 7,108,010 |
| 2017-2018 | <u>2,843,199</u> |
| Total | <u>\$17,059,219</u> |

General Obligation Bonds — On June 2, 1998, the District received authorization to issue \$40 million in general obligation bonds (the "1998 Authorization"). All of the bonds under the 1998 Authorization have been issued. The bonds from the 1998 Authorization were refunded on November 6, 2001 with both the \$28,610,000 West Contra Costa Unified School District 2001 General Obligation Refunding Bonds, Series A (the "2001 Refunding Bonds, Series A") and the \$10,255,000 West Contra Costa Unified School District 2001 General Obligation Refunding Bonds, Series B (the "2001 Refunding Bonds, Series B").

The District received notification by letter dated March 11, 2004, from the Tax Exempt Bond Division of the Internal Revenue Service ("TEB") advising that the \$10,000,000 of bonds issued under the 1998 Authorization in August 1998 (the "1998 Series A Bonds") had been selected for examination. By letter dated November 9, 2005, TEB notified the District that it had concluded the examination with no change to the position that interest received by the bondholders is excludible under section 103 of the Internal Revenue Code.

By letter dated October 3, 2005, TEB notified the District that it is conducting an examination of the \$28,610,000 West Contra Costa Unified School District 2001 General Obligation Refunding Bonds, Series A. TEB has not asserted that the interest on the 2001 Refunding Bonds, Series A, is subject to inclusion in the gross income of the owners thereof and the District does not believe there is a basis for any such assertion. However, no assurance can be given that TEB will not make a demand or claim relating to the tax-exempt status of the 2001 Refunding Bonds, Series A.

On November 7, 2000, the District received authorization to issue \$150 million in general obligation bonds (the "2000 Authorization"). All of the bonds under the 2000 Authorization have been issued.

On March 5, 2002, the District received authorization to issue \$300 million in general obligation bonds (the "2002 Authorization"). All of the bonds under the 2002 Authorization have been issued.

Bonds issued under the 1998 Authorization, the 2000 Authorization and the 2002 Authorization are payable from an unlimited tax upon all property subject to taxation within the District and the Board of Supervisors of the County is empowered and is obligated to levy such tax for the repayment of such bonds.

Following is a schedule of principal payments remaining on the District's general obligation bonds:

| WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT General Obligation Bonds | | | | | |
|--|-------------------|--------------------------------------|---------------------------|----------------------------------|----------------------------------|
| | <u>Issue Date</u> | <u>Final Maturity (August 1)</u> | <u>Interest Rates</u> | <u>Original Issue Amount</u> | <u>Principal Outstanding</u> |
| 1998 Authorization (\$40 million) | | | | | |
| 2001 Refunding Bonds, Series A ⁽¹⁾ | Nov. 6, 2001 | 2025 | 4.15–5.75% | \$ 28,610,000.00 | \$ 24,395,000.00 |
| 2001 Refunding Bonds, Series B ⁽¹⁾ | Nov. 16, 2001 | 2024 | 4.30–6.00% | 10,255,000.00 | 8,830,000.00 |
| 2000 Authorization (\$150 million) | | | | | |
| Series 2000-A Bonds | May 15, 2001 | 2031 | 5.00–8.00% | 15,000,000.00 | 14,180,000.00 |
| Series 2000-B Bonds | Feb. 26, 2002 | 2031 | 4.00–6.00% | 40,000,000.00 | 38,585,000.00 |
| Series 2000-C Bonds | Apr. 22, 2003 | 2032 | 2.50–5.25% | 95,000,000.00 | 93,090,000.00 |
| 2002 Authorization (\$300 million) | | | | | |
| Series 2002-A Bonds | Jun. 26, 2002 | 2031 | 4.25–7.00% | 30,000,000.00 | 28,890,000.00 |
| Series 2002 B Bonds | Aug. 25, 2003 | 2032 | 4.10–5.00% | 100,000,000.00 | 96,060,000.00 |
| Series 2002-C Current Interest Bonds | Aug. 1, 2004 | 2034 | 4.00–5.375% | 40,000,000.00 | 40,000,000.00 |
| Series 2002-C Capital Appreciation Bonds | Aug. 11, 2004 | 2034 | 2.40–5.81% ⁽²⁾ | 29,999,376.75 | 29,999,376.75 |
| Series 2002-D Capital Appreciation Bonds | Oct. 19, 2005 | 2034 | 3.15–5.05% ⁽²⁾ | <u>99,998,106.10</u> | <u>99,998,106.10</u> |
| Total | | | | \$488,862,482.85 | \$474,027,482.85 |
| ⁽¹⁾ The 2001 Refunding Bonds, Series A and B, were issued to refund four series of bonds in the initial aggregate principal amount of \$40,000,000 issued under the 1998 Authorization. | | | | | |
| ⁽²⁾ Yield to Maturity of Capital Appreciation Bonds. | | | | | |

Source: The District

Certificates of Participation — On May 15, 1988, the District, under its previous name, the Richmond Unified School District, caused the execution and delivery of the 1988 Certificates of Participation in the aggregate principal amount of \$9,800,000 to provide working capital for the District's continuing operations, for a computerized management system, and for the construction of one

multipurpose room (the "1988 Certificates"). The 1988 Certificates were to be repaid solely from the semi-annual lease payments made to the Corporation under the terms of a lease-purchase agreement between the Richmond Unified School District Financing 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, Assembly Bill 536 amended the California Education Code 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 and repaying the 1988 certificates. On April 1, 1994, the District caused the execution and delivery of the Prior Certificates in the aggregate principal amount of \$11,150,000 to be repaid from any available funds of the District in order to cure the defaults with respect to, and defease to maturity, the 1988 Certificates (the "1994 Certificates"). On September 9, 2005, the District caused the execution and delivery of 2005 Taxable Refunding Certificates of Participation in the aggregate principal amount of \$10,600,000 to defease the 1994 Certificates (the "2005 Certificates").

The following table shows remaining base rental payments on the 2005 Certificates.

| WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT 2005 Certificates | | | |
|--|---------------------|-----------------------|------------------------|
| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 | \$ 260,000 | \$ 526,018.50 | \$ 786,018.50 |
| 2008 | 275,000 | 514,734.50 | 789,734.50 |
| 2009 | 285,000 | 502,359.50 | 787,359.50 |
| 2010 | 435,000 | 489,278.00 | 924,278.00 |
| 2011 | 455,000 | 469,007.00 | 924,007.00 |
| 2012-2016 | 2,640,000 | 1,996,917.50 | 4,636,917.50 |
| 2017-2021 | 3,360,000 | 1,272,992.50 | 4,632,992.50 |
| 2022-2024 | <u>2,890,000</u> | <u>324,450.00</u> | <u>3,214,450.00</u> |
| Total | <u>\$10,600,000</u> | <u>\$6,095,757.50</u> | <u>\$16,695,757.50</u> |

Voluntary Integration Program — The Voluntary Integration Program obligation 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 from any source of available funds of the District 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 obligation are shown below:

| WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Payment of the Voluntary Integration Program Obligation | |
|--|------------------------|
| <u>Year Ending June 30</u> | <u>Annual Payments</u> |
| 2006 | \$ 300,000 |
| 2007 | 300,000 |
| 2008 | 300,000 |
| 2009 | 300,000 |
| 2010 | 300,000 |
| 2011-2015 | 1,500,000 |
| 2016-2020 | 1,500,000 |
| 2021-2022 | <u>552,000</u> |
| Total | <u>\$5,052,000</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 acquired assets secure the loan. Subsequent to June 30, 1993, the District restructured the obligation allowing for one payment during fiscal year 1993-94 and the remaining payments of \$5,000,000 comprised of \$2,459,111 of principal and \$2,540,889 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, which will be paid from any available funds of the District. At June 30, 2005, the imputed interest payable is \$1,664,559. Therefore, the carrying balance of the loan at June 30, 2005, is \$4,123,670.

The restructuring agreement with IBM provides that if, prior to August 16, 2011, the District receives funding for the specific purpose of paying outstanding obligations, 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.

Child Care Facilities — On February 7, 2001, the District received a no-interest loan from the California Department of Education for the development and acquisition of child care facilities. The District received an initial amount of \$573,048 with the District repaying \$33,000 of the loan. In 2002-03, the District received an additional \$598,060. The carrying balance of the loan as of June 30, 2005 is \$711,492. The loan balance is to be repaid in ten annual installments. The remaining repayment schedule is as follows:

| WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Childcare Facilities Loan Repayment Schedule | |
|---|-------------------|
| <u>Year Ending June 30</u> | <u>Amount Due</u> |
| 2006 | \$ 97,524 |
| 2007 | 97,524 |
| 2008 | 97,524 |
| 2009 | 97,524 |
| 2010 | 97,524 |
| <u>2011-2013</u> | <u>223,872</u> |
| Total | <u>\$711,492</u> |

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, 2006, 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., Oakland, California.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. 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 taxable property in the District.

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

2005-06 Assessed Valuation: \$21,871,131,308 (before deduction of redevelopment incremental valuation of \$4,836,394,720)

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | <u>% Applicable</u> | <u>Debt 5-1-06</u> |
|--|--|---------------------|-------------------------------------|
| Bay Area Rapid Transit District | | 4.709% | \$ 4,709,000 |
| East Bay Municipal Utility District | | 13.349 | 280,329 |
| East Bay Municipal Utility District, Special District No. 1 | | 6.259 | 2,284,848 |
| Contra Costa Community College District | | 14.902 | 13,411,800 |
| West Contra Costa Unified School District | | 100. | 474,027,486 ⁽¹⁾ |
| East Bay Regional Park District | | 6.889 | 9,461,353 |
| City of El Cerrito Parcel Tax Obligations | | 100. | 4,040,000 |
| West Contra Costa Healthcare District Parcel Tax Obligations | | 92.061 | 23,935,860 |
| Richmond Redevelopment Community Facilities District No. 1998-1 | | 100. | 4,070,000 |
| City and County 1915 Act Bonds | | 100. | 48,655,345 |
| TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$584,876,021 |
| Less: East Bay Municipal Utility District (100% self-supporting) | | | 280,329 |
| TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$584,595,692 |
| <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u> | | | |
| Contra Costa County General Fund Obligations | | 14.873% | \$ 46,045,321 |
| Contra Costa County Pension Obligations | | 14.873 | 82,505,737 |
| Contra Costa County Board of Education Certificates of Participation | | 14.873 | 194,836 |
| Contra Costa County Fire Protection District Pension Obligations | | 4.235 | 5,501,265 |
| Alameda-Contra Costa Transit District Certificates of Participation | | 11.439 | 2,271,213 |
| Contra Costa Community College District Certificates of Participation | | 14.902 | 188,510 |
| West Contra Costa Unified School District Certificates of Participation | | 100. | 10,600,000 |
| City of Hercules Certificates of Participation | | 89.470 | 14,140,734 |
| City of Richmond General Fund Obligations | | 100. | 43,894,688 |
| City of Richmond Pension Obligations | | 100. | 24,515,000 |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | \$229,857,304 |
| GROSS COMBINED TOTAL DEBT | | | \$814,733,325 ⁽²⁾ |
| NET COMBINED TOTAL DEBT | | | \$814,452,996 |

⁽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 2005-06 Assessed Valuation:

| | |
|---|-------|
| Direct Debt (\$474,027,486) | 2.17% |
| Total Gross Overlapping Tax and Assessment Debt | 2.67% |
| Total Net Overlapping Tax and Assessment Debt | 2.67% |

Ratios of Combined Debt to Adjusted Assessed Valuation:

| | |
|--------------------------------------|-------|
| Combined Direct Debt (\$484,627,486) | 2.84% |
| Gross Combined Total Debt | 4.78% |
| Net Combined Total Debt | 4.78% |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6-30-05: \$0

Source: California Municipal Statistics, Inc.

The direct debt of the District after issuance of the Bonds will be approximately \$544 million or 2.48% of the approximately \$21.9 billion 2005-06 assessed valuation of taxable property within the District. The District's statutory general obligation bonding capacity is 2.5% of the assessed valuation of taxable property within the District, or approximately \$547 million for fiscal year 2005-06.

COUNTY INVESTMENT POLICIES AND PRACTICES

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been prepared by the Treasurer for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained from the Office of the Treasurer, 625 Court Street, Room 102, Martinez, CA 94533.

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. As of December 31, 2005, the cost value of the County Pool was \$2,211,784,484.02 and the market value was \$2,211,429,277.05.

As of December 31, 2005, the County Pool had 64.65% of its assets managed by the Treasurer's office, 33.10% of its assets managed by outside contractors, and 2.25% in cash. Of those assets managed by the Treasurer's office 12.31% of the pool's assets are invested in U.S. Treasury and U.S. Agency Securities; and 52.34% in other money market instruments including repurchase agreements, commercial paper, negotiable certificates of deposit, corporate notes, medium term notes and time deposits. Of those assets managed by outside contractors 22.15% of its assets are invested with the Local Agency Investment Fund, which is managed by the State Treasurer's Office, and 10.95% 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 December 31, 2005.

CONTRA COSTA COUNTY TREASURY INVESTMENT POOL PORTFOLIO COMPOSITION (As of December 31, 2005)

| <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 | \$ 40,637,233.84 | \$ 41,411,352.06 | 1.84% |
| United States Agencies Securities | 231,323,155.31 | 230,742,553.70 | 10.47% |
| Money Market Instruments | <u>1,158,109,538.48</u> | <u>1,158,397,362.05</u> | <u>52.34%</u> |
| TOTAL | <u>\$ 1,430,069,927.63</u> | <u>\$ 1,430,551,267.81</u> | <u>64.65%</u> |
| Investments Managed by Outside Contractors | | | |
| Local Agency Investment Fund | \$ 489,840,128.88 | \$ 488,645,937.34 | 22.15% |
| Other Investment Managers | <u>242,254,381.92</u> | <u>242,612,026.31</u> | <u>10.95%</u> |
| TOTAL | <u>\$ 732,094,510.80</u> | <u>\$ 731,257,963.65</u> | <u>33.10%</u> |
| Cash | \$ 49,620,045.59 | \$ 49,620,045.59 | 2.25% |
| TOTAL | <u>\$2,211,784,484.02</u> | <u>\$2,211,429,277.05</u> | <u>100.00%</u> |
| 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. | | |

As of December 31, 2005, the County Pool had a weighted average maturity of 58.31 days with 94.98% of the portfolio maturing in less than one year, 3.02% in securities maturing in one to two years, 1.53% in securities maturing in two to three years, and 0.47% in securities maturing in more than three years. The following table summarizes the portfolio liquidity of the County Pool as of December 31, 2005.

**CONTRA COSTA COUNTY TREASURY INVESTMENT POOL
PORTFOLIO LIQUIDITY
(As of December 31, 2005)**

| <u>Term to Maturity</u> | <u>Cost Value</u> | <u>Percent of Total (Cost Value)</u> |
|-------------------------------------|------------------------|--|
| Less than 1 year | \$2,100,755,309 | 94.98% |
| 1 years to 2 years | 66,735,581 | 3.02% |
| 2 years to 3 years | 33,756,718 | 1.53% |
| 3 years to 4 years | 8,279,500 | 0.37% |
| 4 years to 5 years | 2,096,893 | 0.09% |
| Greater than 5 years ⁽¹⁾ | 160,483 | 0.01% |
| Total | <u>\$2,211,784,484</u> | <u>100.0%</u> |

⁽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 Treasurer's investment portfolio is in compliance with the State Government Code 53600 et seq. and with the Treasurer's current investment policy. The County Pool investment portfolio has no securities lending, reverse repurchase agreements, or derivatives. As of December 31, 2005, the County is able to meet its cash flow needs for the next six months.

ECONOMIC PROFILE

The information in this section regarding economic activity within the general area in which the District is located is provided as background information only, to describe the general economic health of the region. However, the District encompasses a relatively small area within the County, and the property tax required to be levied by the County to repay the Bonds will be levied only on property located in the District.

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⁾

| <u>Year</u> | <u>Contra Costa County</u> | <u>City of El Cerrito</u> | <u>City of Hercules</u> | <u>City of Pinole</u> | <u>City of Richmond</u> | <u>City of San Pablo</u> |
|-------------|--------------------------------|-------------------------------|-----------------------------|---------------------------|-----------------------------|------------------------------|
| 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 |
| 2000 | 948,816 | 23,171 | 19,488 | 19,039 | 99,216 | 30,215 |
| 2005 | 1,020,898 | 23,407 | 23,360 | 19,604 | 103,012 | 31,344 |

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

Source: 1970 – 2000: U.S. Census Bureau; 2005: California Department of Finance, Demographic Research Unit, estimates as of January 1.

Employment

The following table summarizes historical employment and unemployment in the County. Such information is not seasonally adjusted and is based on the 2005 Benchmark.

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

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Civilian Labor Force ⁽¹⁾ | | | | | |
| Employment | 488,100 | 483,800 | 481,200 | 480,800 | 488,300 |
| Unemployment | 20,500 | 29,200 | 31,100 | 27,700 | 24,600 |
| Total | 508,600 | 513,000 | 512,300 | 508,500 | 512,900 |
| Unemployment Rate ⁽²⁾ | 4.0% | 5.7% | 6.1% | 5.5% | 4.8% |

⁽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 unemployment rates in Contra Costa County and the cities within the District as of December 2005.

CIVILIAN LABOR FORCE
Unemployment Rates as of December 2005⁽¹⁾

| | |
|---------------------|------|
| Contra Costa County | 4.0% |
| City of El Cerrito | 3.5% |
| City of Hercules | 2.6% |
| City of Pinole | 2.5% |
| City of Richmond | 6.4% |
| City of San Pablo | 7.8% |
| State of California | 4.8% |
| USA | 4.6% |

⁽¹⁾ Preliminary, based on 2005 benchmark and place of residence; calculated based on unrounded data; not seasonally adjusted.

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⁽¹⁾

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|------------------------------------|----------------|----------------|----------------|----------------|
| Farm | 3,000 | 2,600 | 1,500 | 1,500 |
| Natural Resources and Mining | 1,200 | 900 | 1,200 | 1,100 |
| Construction | 66,600 | 67,100 | 69,100 | 74,000 |
| Manufacturing | 103,600 | 98,000 | 99,100 | 95,400 |
| Wholesale Trade | 53,100 | 50,600 | 48,700 | 48,400 |
| Retail Trade | 112,000 | 110,500 | 110,200 | 112,300 |
| Transportation & Public Utilities | 39,500 | 36,000 | 33,900 | 34,400 |
| Information | 35,200 | 32,600 | 31,000 | 30,400 |
| Financial Activities | 62,500 | 67,700 | 67,200 | 70,500 |
| Professional and Business Services | 149,600 | 144,900 | 146,700 | 150,600 |
| Education and Health | 114,700 | 117,000 | 117,900 | 118,600 |
| Leisure and Hospitality | 79,900 | 80,400 | 80,600 | 82,600 |
| Other Services | 37,800 | 37,500 | 37,000 | 35,800 |
| Government | <u>184,200</u> | <u>182,300</u> | <u>178,900</u> | <u>180,000</u> |
| Total All Industries | 1,042,800 | 1,028,200 | 1,023,000 | 1,035,800 |

⁽¹⁾ March 2005 benchmark using the North American Industry Classification System.

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. Not seasonally adjusted.

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</u> |
|---|-----------------------------------|----------------------------|
| University of California | Public Education | 35,221 |
| Kaiser Permanente | Health Care | 25,070 |
| State of California | State Government | 12,063 |
| SBC Communications Inc. | Telecommunications | 10,269 |
| Safeway Inc. | Supermarket Retail | 10,000 |
| Contra Costa County | Local Government | 9,000 |
| Alameda County | Local Government | 8,900 |
| Lawrence Livermore National Laboratory | Government Research & Development | 8,646 |
| United States Postal Service | Mail Services | 8,469 |
| Mount Diablo Unified School District | Public Education | 6,238 |
| Oakland Unified School District | Public Education | 6,184 |
| Chevron Corporation | Energy | 6,000 |
| John Muir / Mount Diablo Health System | Health Care | 5,574 |
| City of Oakland | Local Government | 5,537 |
| Wells Fargo & Co. | Financial Services | 5,135 |
| Alta Bates Summit Medical Center | Health Care | 5,000 |
| New United Motor Manufacturing Inc. | Auto Manufacturing | 5,000 |
| West Contra Costa Unified School District | Public Education | 4,596 |
| Lawrence Berkeley National Laboratory | Government Research & Development | 3,800 |
| Mervyn's LLC | Retail Stores | 3,526 |

Source: *East Bay Business Times*, December 31, 2005 and the District.

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> |
|---------------------|------------------------------|-----------------------------|
| 2000 | 22,674 | \$ 12,330,560 |
| 2001 | 22,609 | 12,256,721 |
| 2002 | 22,541 | 12,159,424 |
| 2003 | 23,253 | 12,223,295 |
| 2004 | 23,571 | 12,990,538 |
| Second Quarter 2005 | 23,692 | 3,360,448 |

⁽¹⁾ As of July 1.

Source: California 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>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005⁽²⁾</u> |
|-------------|-------------|-------------|-------------|-------------|---------------------------|
| El Cerrito | \$ 238,380 | \$ 266,426 | \$ 289,575 | \$296,705 | \$72,793 |
| Hercules | 80,482 | 88,473 | 76,716 | 108,473 | 28,094 |
| Pinole | 290,141 | 282,681 | 288,363 | 292,036 | 73,717 |
| Richmond | 1,116,329 | 1,065,747 | 1,054,029 | 1,109,659 | 266,733 |
| San Pablo | 145,193 | 153,126 | 155,490 | 153,670 | 38,612 |

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

⁽²⁾ As of second quarter.

Source: California 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> | <u>Contra Costa County</u> |
|-------------|----------------------------|
| 2001 | \$60,189 |
| 2002 | 56,507 |
| 2003 | 54,448 |
| 2004 | 54,862 |
| 2005 | 56,165 |

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> |
| 2001 | 4,920 | \$ 921,370 |
| 2002 | 5,764 | 1,267,673 |
| 2003 | 6,883 | 1,451,454 |
| 2004 | 5,588 | 1,240,803 |
| 2005 | 6,440 | 1,700,734 |

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

Shown below is the 2005 building activity for cities in the District:

| WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT 2005 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 ⁽²⁾ | 8 | \$4,500 |
| Hercules | 319 | 75,211 |
| Pinole | 8 | 1,763 |
| Richmond | 416 | 67,026 |
| San Pablo | 122 | 15,520 |

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

⁽²⁾ Information from City of El Cerrito Building Department.

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

LEGAL MATTERS

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the 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, provided however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes,) such interest is taken into account in determining certain income and tax earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

A copy of the proposed form of final opinion of Bond Counsel is attached hereto as **APPENDIX A**.

Legality for Investment in the State of California

Under the provisions of the Financial Code of the State, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment funds of its depositors, and under provisions of the Government Code of the State are eligible to secure deposits of public moneys in the State.

No Litigation

No litigation is pending or threatened against the District concerning the validity of the Bonds and a certificate of the District to that effect will be available at the time of original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the County's ability to levy and collect *ad valorem* taxes, or to collect other revenues, or contesting its ability to issue and retire the Bonds.

There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, Bond Counsel. A complete copy of the proposed form of final opinion of Bond Counsel is contained as **APPENDIX A**. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

MISCELLANEOUS

Ratings

Fitch Ratings and Standard & Poor's Ratings Services have assigned their municipal bond ratings of "AAA" and "AAA", respectively, to the Bonds conditioned upon the issuance of the Policy simultaneously with the delivery of the Bonds. Any rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. The address of Fitch Ratings is One State Street Plaza, 31st Floor, New York, New York 10004. The address of Standard & Poor's Ratings Services is 55 Water Street, New York, New York 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it, and on investigations, studies, and assumptions of its own. In addition, the District has furnished certain information to the rating agencies not included in this Official Statement. There is no assurance that a rating assigned will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating obtained may have an adverse effect on the market price of the Bonds.

Underwriting

Pursuant to the terms of a public bid taken on May 3, 2006, JP Morgan Inc., as Underwriter, has agreed to purchase the Bonds from the District at the purchase price of \$70,696,632.38 and has certified that it has reoffered the Bonds to the public at or below the initial offering prices and yields stated on the cover page of this Official Statement. The Underwriter will be obligated to take and pay for all Bonds if any Bond is purchased.

Financial Advisor

A. Lopez & Associates LLC, Oakland, California, has served as Financial Advisor in connection with the issuance of the Bonds. Though the Financial Advisor has participated in the drafting of the Official Statement, the Financial Advisor has not independently audited, authenticated or otherwise verified the information set forth in the Official Statement with respect to accuracy and completeness and as such makes no guaranty, warranty or other representations respecting the accuracy and completeness of any of the information contained herein.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine (9) months following the end of the District's fiscal year (currently ending June 30,) commencing with the report for the 2005-06 Fiscal Year (which is due no later than March 31, 2007,) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"), and with the State information repository, if any. The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board, and with the State information repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption **"APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE"**. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

With respect to the District's outstanding general obligation bonds, the District is required to file annual reports not later than nine months following the end of each fiscal year and to file a material events notice when bonds are defeased. Until March 2003, the District annually filed a current official statement and audit with each NRMSIR containing all of the information required to be included in the annual reports, but did not expressly identify such documents as "annual reports". The official statement filed in March 2003 as the annual report did not include audited financial statements for the prior year since the State Controller had not yet completed the audit. Audited financial statements were filed upon completion of the audit by the Controller on July 16, 2003. The District filed an official statement relating to its 2001 Refunding Bonds in November 2001 and distributed to bondholders notices of defeasance of the bonds refunded thereby, but did not expressly identify this as a material event notice with respect to the defeasance. On June 4, 2003, the District instructed the NRMSIRs to file such information as annual reports and notices of defeasance for the appropriate bond issues. Thereafter and to date, the District has made all continuing disclosure filings as required. See **"THE DISTRICT — District Debt Structure"** herein for a summary of the District's outstanding debt obligations.

Closing Papers

The District will furnish to the Underwriter, without charge, concurrently with payment for and delivery of the Bonds, the following closing papers, each dated the date of such delivery:

- (a) The opinion of Bond Counsel, substantially in the form attached as **APPENDIX A** hereto;
- (b) The Tax Certificate of the District upon which Bond Counsel will rely in delivering their tax opinion;
- (c) The Certificate on behalf of the District certifying that there is no litigation pending affecting the validity of the Bonds;

(d) The Certificate of an appropriate District official, acting on behalf of the District solely in his or her official and not in his or her personal capacity, certifying that at the time of the sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds to the initial purchasers thereof, to the best knowledge and belief of said official, the Official Statement of the District pertaining to said Bonds (excluding the description of DTC and its book-entry system, information relating to a municipal bond insurance policy, if any, and the provider thereof, information provided by the underwriter including the reoffering prices of the Bonds and the CUSIP numbers, and the description of the County's investment policy, current portfolio holdings and valuation procedures,) did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(e) The certificate of an appropriate County official, acting on behalf of the County solely in his or her official and not in his or her personal capacity, certifying that at the time of the sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds to the initial purchasers thereof, to the best knowledge and belief of said Official, the description of the County's investment policy, current portfolio holdings, and valuation procedures contained in the section "**COUNTY INVESTMENT POLICIES AND PRACTICES**" of the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(f) The signature certificate of the officials of the District certifying that said officials have signed the Bonds, whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same;

(g) The receipt of the Treasurer for the purchase price of the Bonds, including interest accrued to the date of delivery thereof; and

(h) The Continuing Disclosure Certificate of the District in substantially the form shown in **APPENDIX C** attached hereto.

Additional Information

This Official Statement and its distribution have been duly authorized and approved by the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

By: /s/ Ruth A. Vedovelli
Associate Superintendent
Business Services

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APPENDIX A
FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education of the
West Contra Costa Unified School District
1108 Bissell Avenue
Richmond, California 94801-3135

OPINION: \$70,000,000 West Contra Costa Unified School District (Contra Costa County, California)
General Obligation Bonds, Election of 2005, Series A

Members of the Board of Education:

We have acted as bond counsel to the West Contra Costa Unified School District (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") of \$70,000,000 principal amount of West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2005, Series A (the "Bonds"), pursuant to Title 1, Division 1, Part 10, Chapter 2 (commencing with section 15100) of the California Education Code (the "Act"), a resolution adopted by the Board of Education of the District on March 15, 2006, and a resolution adopted by the Board on April 4, 2006 (collectively, the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolutions and the Bonds.

2. The District Resolution has been duly adopted by the District. The Board Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Board Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the District to comply with one or more of

such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolutions may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX B

**DISTRICT'S 2004-05
AUDITED FINANCIAL STATEMENTS**

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COUNTY OF CONTRA COSTA

RICHMOND, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

AND

INDEPENDENT AUDITOR'S REPORT

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2005

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2005

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Education
West Contra Costa Unified School District
Richmond, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Contra Costa Unified School District, as of and for the year ended June 30, 2005, which collectively comprise West Contra Costa Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The basic financial statements referred to above do not include the Trust and Agency Fund financial statements for the associated student body accounts which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the basic financial statements is not known.

In our opinion, except that the omission described in the preceding paragraph results in an incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of West Contra Costa Unified School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2005 on our consideration of West Contra Costa Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise West Contra Costa Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of West Contra Costa Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
October 13, 2005

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

1108 Bissell Avenue
Richmond, CA 94801-3135
Telephone (510) 234-3825

Cynthia M LeBlanc, Ph.D.
Superintendent of Schools, Interim

Ruth Vedovelli
Associate Superintendent, Business Services

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

Our discussion and analysis of West Contra Costa Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2005. It should be read in conjunction with the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments: Omnibus*, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Overall revenues of \$333.3 million exceeded expenditures by \$35.9 million. Total net assets increased by 99% over the course of the year. Overall expenditures decreased by \$5.9 million from the previous year.

The California Department of Finance officially lowered the loan interest rate to weighted average rate of 3.265 percent for the year. The District saved approximately \$270,000.

District schools continue their overall trend of improved student achievement and ascending test scores during the six years that the state has published results of the Academic Performance Index (API). The API measurement of student achievement ranges between 200 and 1000; the statewide target goal is 800. Between 1999 and 2004, WCCUSD schools made the following progress;

- Schools with API Scores below 500 decreased from 17 to zero.
- Schools with API scores above 700 increased from 8 to 17.
- Schools scoring at the statewide performance target doubled from three to six.

The District continues to expend significant capital outlay funds for the renovation and modernization of district schools. The District expended Measure M and Measure D General Obligation Bond funds for this purpose.

During the fiscal year the District sold \$70 million of Measure D General Obligation Bonds that will be used to support the District's elementary school facility modernization programs. School construction teams have started massive modernization projects that will continue for the next three to four years. When complete, the improvements will result in state of the art schools and classrooms for students, teachers, and the local communities.

Revenue Limit funded Average Daily Attendance (ADA) decreased by 1,178 from the prior year. Revenue Limit funded ADA has decreased by 2,151 over the last two years. Declining ADA is impacting 50 percent of all school districts in California.

REPORTING THE DISTRICT AS A WHOLE

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, District-wide and funds.

- District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
 - ❖ Basic services funding (i.e., regular and special education) is described in the governmental funds statements.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the proprietary funds statements.
 - ❖ Financial relationships, for which the District acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. A comparison of the district's budget for the year is included as required supplementary information.

The following matrix summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

| Major Features of the District-Wide and Fund Financial Statements | | | | |
|---|--|--|---|--|
| Type of Statement | District-wide | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district, except fiduciary activities | The activities of the district that are not proprietary or fiduciary, such as special revenue and debt service funds | Activities the district operates similar to private businesses: such as the self-insurance fund | Instances in which the district administers resources on behalf of someone else, such as student activities and retiree benefits funds. |
| Required financial statements | Statement of net assets | Balance sheet | Statement of net assets | Statement of fiduciary net assets |
| | Statement of activities | Statement of revenues, expenditures & changes in fund balances | Statement of revenues, expenses & changes in fund net assets *Statement of cash flows | Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector's business.

The Statement of Net Assets and the Statement of Activities

The District as a whole is reported in the District-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the statement of net assets. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increase or decreases in the net assets of the district over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities and changes in the property tax base of the district need to be considered in assessing the overall health of the district.

The Statement of Net Assets and the Statement of Activities show all District operations as governmental activities, the basic services provided by the District, such as regular and special education, administration and transportation. Property taxes and state formula aid finance most of these activities.

The District-wide financial statements can be found on pages 15 through 16 of this report.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the District-wide financial statements. However, unlike the District-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The District has three kinds of funds:

Governmental funds

Most of the District's basic services are included in governmental funds, which generally focus on:

1. How cash and other financial assets can be readily converted to cash flow (in and out)
2. The balances left at year-end that are available for spending.

The governmental fund statements provide a detailed short-term view. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this kind of information does not encompass the additional long-term focus of the District-wide statements, additional information is provided on page -- that explains the differences (or relationships) between them.

Proprietary funds

The proprietary fund category includes Internal Service Funds.

Internal Service funds report activities that provide supplies and services for the other programs and activities of the District.

- ❖ The district has one internal fund: a self insurance fund.

Fiduciary funds

For assets that belong to others, such as the scholarship fund and/or student activities funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. A separate statement of fiduciary net assets and a statement of changes in fiduciary net assets report the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the District cannot use the assets to finance the operations.

THE DISTRICT AS A WHOLE

Net Assets – The District's combined net assets were higher on June 30, 2005, than they were the year before— increasing by \$29.2 million to \$228.6 million as reflected on the next page.

Net Assets

| | GOVERNMENTAL ACTIVITIES | |
|---|----------------------------|-----------------------|
| | 2005 | 2004 |
| Current Assets | \$ 264,780,763 | \$ 287,349,557 |
| Capital Assets | 441,284,644 | 316,672,383 |
| Total Assets | 706,065,407 | 604,021,940 |
| Current Liabilities | 65,629,248 | 54,917,478 |
| Long-term Liabilities | 411,840,401 | 349,692,218 |
| Total Liabilities | 477,469,649 | 404,609,696 |
| Net Assets: | | |
| Invested in Capital Assets, net of related debt | 171,910,963 | 107,686,676 |
| Restricted For: | | |
| Capital Projects | 29,767,712 | 47,464,606 |
| Debt Service | 22,335,318 | 19,153,621 |
| Educational Programs | 8,927,010 | 8,853,002 |
| Other Purposes (Expendable) | 11,476,339 | 11,488,133 |
| Other Purposes (Unexpendable) | 607,347 | 735,730 |
| Unrestricted | (16,428,931) | 4,030,476 |
| Total Net Assets | \$ 228,595,758 | \$ 199,412,244 |

The District's improved financial position is the product of many factors. However, two events of the last year stand out:

- The District issued \$70 million in General Obligation Bonds, which will be used to renovate the educational facilities of the District. Through the bond program, together with State apportionments for school facilities, the District has constructed new schools and has begun the process of renovating its existing schools. These activities have increased the capital assets of the District.
- Additional revenue sources from developer fees in the Capital Facilities Fund and State Apportionments for Facilities in the County School Facilities Fund provided significant revenues.

Changes in Net Assets – The District’s total revenues exceeded its expenses by \$35.9 million. Property taxes, State Aid and other general sources accounted for most of the District’s revenues contributing approximately 68.4 cents per every dollar of revenue received while Federal, State and local grants and contributions for specific purposes provided 31.6 percent of total revenues.

| | | GOVERNMENTAL ACTIVITIES | |
|---------------------------------------|----|----------------------------|----------------------|
| | | 2005 | 2004 |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for Services | \$ | 1,636,956 | \$ 1,779,505 |
| Operating Grants and Contributions | | 89,650,699 | 82,954,954 |
| Capital Grants and Contributions | | 13,978,054 | 13,176,783 |
| Total Program Revenues | | 105,265,709 | 97,911,242 |
| General Revenues: | | | |
| Property Taxes | | 104,421,667 | 102,618,475 |
| Federal and State Aid | | 112,451,965 | 94,645,098 |
| Interest and Investment Earnings | | 1,788,281 | 1,125,921 |
| Interagency revenues | | 674,691 | 613,568 |
| Miscellaneous | | 8,714,747 | 23,042,091 |
| Special extraordinary items | | - | 1,087,758 |
| Total General Revenues | | 228,051,351 | 223,132,911 |
| Total Revenues | | 333,317,060 | 321,044,153 |
| Expenses: | | | |
| Instruction | | 170,321,160 | 166,024,457 |
| Support Services: | | | |
| Administrative | | 39,487,968 | 39,254,477 |
| Student Support | | 25,800,422 | 26,101,852 |
| Non-Student Support | | 14,495,181 | 26,041,108 |
| Plant Services | | 24,691,806 | 26,705,245 |
| Facility acquisition and construction | | - | - |
| Ancillary Services | | 2,240,290 | 2,142,017 |
| Transfers between agencies | | 784,936 | 637,489 |
| Interest on long-term debt | | 19,590,713 | 16,495,418 |
| Other Outgo | | - | 2,867 |
| Total Expenses | | 297,439,069 | 303,404,930 |
| Change in Net Assets | | 35,877,991 | \$ 17,639,223 |

Governmental Activities

The following table presents the costs of five major activities: Instruction, Support Services, Facility and Plant Services, Ancillary Services and Other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost of services shows the financial burden that was placed on the District for each of these functions.

The cost of all programs was \$297.4 million for this fiscal year. The users of District programs as well as federal, state and local governments who provided funds for specific programs provided \$105.3 million. The balance of the District's expenditures were paid for by State apportionments for ADA and by local property taxes. Property taxes comprised of \$104,923,757 of this amount while state education aid formulas contributed the remaining \$112,451,965.

| | Total Cost | Net | Total Cost | Net |
|----------------------|----------------|---------------------------|----------------|---------------------------|
| | 2005 | (Expense) Revenue 2005 | 2004 | (Expense) Revenue 2004 |
| Instruction | \$ 170,321,160 | \$ (110,387,848) | \$ 166,024,457 | \$ (113,922,062) |
| Support Services | 79,783,571 | (45,319,426) | 91,397,437 | (56,381,100) |
| Facilities and Plant | 24,691,806 | (15,173,853) | 26,705,245 | (25,886,653) |
| Ancillary Services | 2,240,290 | (1,081,389) | 2,142,017 | (922,521) |
| Other | 20,402,242 | (20,210,844) | 17,135,774 | (8,381,352) |
| Total | \$ 297,439,069 | \$ (192,173,360) | \$ 303,404,930 | \$ (205,493,688) |

THE DISTRICT'S FUNDS

The sound financial position of the District as a whole is reflected in its governmental fund statements. As the District completed the year, its governmental funds reported a combined fund balance of \$214.5 million, below last year's combined ending fund balance of \$238.2 million. This decrease is due to activities in the District's Capital Projects Fund and Building Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The District is required to update its budget in detail at least twice a year. This is done through the preparation of the First and Second Interim Reports, which are prepared based on information available as of October 31 and January 31 respectively. Other budget adjustments and revisions can be classified into three types:

- Appropriation of prior year ending fund balances and deferred revenues derived primarily from federal, state and local government sources for specific programs.

- New appropriations or budget augmentations for programs and expenditures that were not known or anticipated at the time of budget development.
- Budget reductions due to mid-year State funding reductions.

The final revised budget of the District reflected anticipated revenues of \$273.7 million against appropriated expenditures of \$275.3 million thus anticipating a \$1.6 million reduction in overall fund balance, mostly from the restricted portion. The projected decrease in Restricted fund balance was predicated on the assumption that all revenues recognized in the prior year but unspent in that year are carried forward to the current year where they would be spent by the end of the current year.

The State budget crisis continued in the 2004-2005 fiscal year. The District took a pro-active approach to reduce expenditures without affecting the instructional programs to the greatest extent possible.

Actual revenues were less than anticipated while actual expenditures were also less than anticipated. The combination of these variances resulted in a higher (\$26.3 million) than projected (\$15.9 million) ending fund balance. This favorable variance was in large part the direct result of the District implementing cost saving strategies such as hiring, overtime and purchasing freezes.

Summary of Revenues for Governmental Function

The following schedule represents a summary of the general operating fund, special revenue, capital projects fund and debt service fund revenues for the fiscal year ended June 30, 2005, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

| | 2005 | Percent of | Increase (Decrease) From Prior | Percent Increase (Decrease) From |
|-----------------------|----------------|------------|--------------------------------------|-------------------------------------|
| | Fiscal Year | Total | Fiscal Year | Prior Fiscal Year |
| Revenue Limit Sources | \$ 162,667,638 | 49% | \$ 3,028,961 | 1.89% |
| Federal | 35,486,804 | 11% | 2,989,214 | 9.19% |
| Other State | 75,597,694 | 23% | 4,618,015 | 6.50% |
| Other Local | 59,564,923 | 17% | 2,724,472 | 4.79% |
| Total Revenues | \$ 333,317,059 | 100% | \$ 13,360,664 | 4.14% |

The following schedule represents a summary of the general operating fund, special revenue, capital projects fund, and debt service fund expenditures for the fiscal year ended June 30, 2005, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

Summary of Expenditures by Object Code

| | 2005 | Percent of | Increase (Decrease) From Prior | Percent Increase (Decrease) From |
|------------------------------------|-----------------------|-------------|--------------------------------------|-------------------------------------|
| | Fiscal Year | Total | Fiscal Year | Prior Fiscal Year |
| Certificated salaries | \$ 114,093,156 | 27% | \$ (4,050,194) | -3% |
| Classified salaries | 43,110,347 | 10% | (52,353) | -0% |
| Employee benefits | 58,504,646 | 14% | 1,046,591 | 2% |
| Books and supplies | 18,154,608 | 4% | 3,908,899 | 27% |
| Services, other operation expenses | 42,733,206 | 10% | (7,581,741) | -15% |
| Capital Outlay | 123,912,373 | 29% | 33,636,442 | 37% |
| Debit Service: | | | | |
| Principal | 6,167,472 | 1% | 3,839,124 | 165% |
| Interest | 17,641,221 | 4% | 4,255,104 | 32% |
| Other outgo | 2,901,605 | 0% | 1,700,054 | 141% |
| Total Expenditures | \$ 427,218,634 | 100% | \$ 36,701,926 | 16% |

CAPITAL ASSET AND DEBT ADMINISTRATION

By June 30, 2005, the District had invested \$621.9 million in a broad range of capital assets including land, school buildings, athletic facilities, computer and audio-visual equipment as well as support facilities as reflected in the following table. Additional information about the capital assets of the District can also be found in footnote 4. Total depreciation expense for the year was \$10.2 million while additions to capital assets amounted to approximately \$134.8 million.

Construction, planning and design activities continued during the year related to the renovation of the District's elementary and secondary schools. Eight elementary schools began construction and renovation during the 2004 - 2005 school year.

The budget for the 2005-06 fiscal year includes funds for continuation of the planning and design processes for the elementary and secondary schools of the District.

Capital Assets

| | <u>Governmental Activities</u> | | |
|--|--------------------------------|-------------------|---------------------------|
| | Balance, July 1, 2004 | Additions | Balance, June 30, 2005 |
| Governmental activities: | | | |
| Land | \$ 53,221,911 | \$ 93,073 | \$ 53,314,984 |
| Site Improvements | 44,154,648 | 77,329 | 238,216,387 |
| Buildings | 238,139,058 | 79,443 | 44,234,091 |
| Machinery and Equipment | 10,373,716 | 1,520,510 | 11,894,226 |
| Construction In Progress | 141,239,940 | 133,041,522 | 274,281,462 |
| Totals at historical cost | 487,129,273 | 134,811,877 \$ | 621,941,150 |
| Less: accumulated depreciation | | | |
| Site Improvements | (28,635,632) | (3,263,476) | (31,899,108) |
| Buildings | (136,324,734) | (6,392,699) | (142,717,433) |
| Machinery and Equipment | (5,496,524) | (543,441) | (6,039,965) |
| Total accumulated depreciation | (170,456,890) | (10,199,616) | (180,656,506) |
| Governmental activities, capital assets, net | \$ 316,672,383 | \$ 124,612,261 \$ | \$ 441,284,644 |

Long Term Liabilities

In recent years the District has received approval from the voters to issue \$490 million in bonds. Measure E was approved for \$40 million in November 1998 to fund various capital improvement projects and to construct a new middle school. Measure M in the amount of \$150 million was approved in November 2000 to renovate the elementary schools of the District. Finally, Measure D was approved in March 2002 to renovate the secondary schools of the District as well as provide additional funds to supplement Measure M. This measure is in the amount of \$300 million. The District will continue to sell and issue bonds authorized by these measures in amounts necessary to meet the cash flow needs of the construction projects as they progress over the next several years.

At year end the District had \$420.3 million in general obligation bonds and other long-term liabilities outstanding, an increase of 17.9 percent over the prior year. This increase is due to the fact the \$70 million in Measure D were sold during the year. These bonds, together with the bonds previously sold (\$315 million) were authorized by the taxpayers of the District and will be repaid from future property tax assessments and will not affect the general operating funds and accounts of the District. Long-term liabilities other than General Obligation Bonds decreased by 4 percent to \$39.6 million compared to the prior year.

The activities of the District's long-term liabilities are reflected in the table below as well as the footnotes to the financial statements in note number 6. The General Obligation Bonds have been sold with insurance at the highest rating possible, AAA.

| | <u>Governmental Activities</u> | | | | |
|------------------------------------|--------------------------------|----------------------|---------------------|--------------------------|------------------------|
| | | | | Amounts | |
| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 | Due Within One Year |
| Emergency Apportionment Loan | \$ 17,656,859 | \$ - | \$ 1,014,948 | \$ 16,641,911 | \$ 1,166,648 |
| General Obligation Bonds | 315,155,000 | 69,999,377 | 4,520,000 | 380,634,377 | 6,605,000 |
| 1994 Certificates of Participation | 9,745,000 | - | 235,000 | 9,510,000 | 245,000 |
| Voluntary Integration Program | 5,352,000 | - | 300,000 | 5,052,000 | 300,000 |
| Computer equipment acquisition | 3,949,800 | 166,539 | - | 4,123,670 | - |
| Compensated absences | 3,710,604 | - | 129,481 | 3,581,123 | - |
| Child care facilities loan | 809,016 | - | 97,524 | 711,492 | 97,524 |
| Total Long-term liabilities | <u>\$ 356,378,279</u> | <u>\$ 70,173,247</u> | <u>\$ 6,296,953</u> | <u>\$ 420,254,573</u> | <u>\$ 8,414,172</u> |

The state limits the amount of general obligation debt the District can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The district has applied for and been granted a waiver of this limit by the California State Board of Education allowing the District to issue bonds up to an amount not to exceed 3.0% of assessed value.

Notes to Basic Financial Statements

The Notes to Basic Financial Statements complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As has been well publicized, the State of California continues to experience budget difficulties at the present time. As the majority of our revenue comes from the State, we will most certainly continue to experience budget challenges in the coming years until the state's economy recovers. Under the California State Constitution, K-12 education is guaranteed to receive a minimum percent of total State revenues. This provision will lessen the potential impact of the State budget difficulties on the District.

Additional District budget reductions will be necessary to maintain the District's reserves at a level that will help keep the District financially healthy. The District is being proactive in this situation and has begun discussions with the Governing Board, staff and community regarding the needs of the District to facilitate the adoption of a balanced budget for the upcoming 2006-07 fiscal year.

BASIC FINANCIAL STATEMENTS

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and investments (Note 2) | \$ 241,235,378 |
| Accounts receivable | 21,581,192 |
| Prepaid expenses | 1,426,846 |
| Stores inventory | 537,347 |
| Capital assets, net of accumulated depreciation (Note 4) | <u>441,284,644</u> |
| Total assets | <u>706,065,407</u> |
| LIABILITIES | |
| Accounts payable | 50,064,116 |
| Unpaid claims and claim adjustment expenses (Note 5) | 500,000 |
| Deferred revenue | 6,650,960 |
| Long-term liabilities (Note 6): | |
| Due within one year | 8,414,172 |
| Due after one year | <u>411,840,401</u> |
| Total liabilities | <u>477,469,649</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 171,910,963 |
| Restricted (Note 7) | 73,113,726 |
| Unrestricted | <u>(16,428,931)</u> |
| Total net assets | <u><u>\$ 228,595,758</u></u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

| | | Program Revenues | | | Net (Expense) Revenues and Changes in Net Assets |
|--|-----------------------|-------------------------------------|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities (Note 4): | | | | | |
| Instruction | \$ 170,321,160 | | \$ 45,955,258 | \$ 13,978,054 | \$ (110,387,848) |
| Instruction-related services: | | | | | |
| Supervision of instruction | 19,789,313 | | 16,670,888 | | (3,118,425) |
| Instructional library, media and technology | 2,545,626 | | 126,391 | | (2,419,235) |
| School site administration | 17,153,029 | | 90,123 | | (17,062,906) |
| Pupil services: | | | | | |
| Home-to-school transportation | 6,068,789 | | 2,067,937 | | (4,000,852) |
| Food services | 9,402,253 | \$ 1,525,875 | 7,124,679 | | (751,699) |
| All other pupil services | 10,329,380 | | 4,058,058 | | (6,271,322) |
| General administration: | | | | | |
| Data processing | 1,737,876 | | 122,507 | | (1,615,369) |
| All other general administration | 12,757,305 | 88,611 | 2,589,076 | | (10,079,618) |
| Plant services | 24,691,806 | 22,470 | 9,495,483 | | (15,173,853) |
| Ancillary services | 2,240,290 | | 1,158,901 | | (1,081,389) |
| Community services | 26,593 | | 1,638 | | (24,955) |
| Enterprise activities | | | | | |
| Other outgo | 784,936 | | 189,760 | | (595,176) |
| Interest on long-term liabilities | 19,590,713 | | | | (19,590,713) |
| Total governmental activities | \$ 297,439,069 | \$ 1,636,956 | \$ 89,650,699 | \$ 13,978,054 | (192,173,360) |
| General revenues: | | | | | |
| Taxes and subventions: | | | | | |
| Taxes levied for general purposes | | | | | 65,502,090 |
| Taxes levied for debt service | | | | | 23,743,429 |
| Taxes levied for other specific purposes | | | | | 15,176,148 |
| Federal and State aid not restricted to specific purposes | | | | | 112,451,965 |
| Interest and investment earnings | | | | | 1,788,281 |
| Interagency revenues | | | | | 674,691 |
| Miscellaneous | | | | | 8,714,747 |
| Total general revenues | | | | | 228,051,351 |
| Change in net assets | | | | | 35,877,991 |
| Net assets, July 1, 2004, as previously reported | | | | | 199,412,244 |
| Reclassification of Retiree Benefits Fund as a Trust Fund (Note 12) | | | | | (6,694,477) |
| Net assets, July 1, 2004, as restated | | | | | 192,717,767 |
| Net assets, June 30, 2005 | | | | | \$ 228,595,758 |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2005

| | <u>General Fund</u> | <u>Building Fund</u> | <u>Capital Facilities Fund</u> | <u>All Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------|--|------------------------------------|---|
| ASSETS | | | | | |
| Cash and investments: | | | | | |
| Cash in County Treasury | \$ 16,402,067 | \$ 6,406,009 | \$ 23,551,836 | \$ 39,750,416 | \$ 86,110,328 |
| Cash on hand and in banks | 18,520 | | | 21,002 | 39,522 |
| Cash in revolving fund | 70,000 | | | | 70,000 |
| Cash awaiting deposit | 47,445 | | 155,655 | | 203,100 |
| Cash with Fiscal Agent | | 10,028,229 | | 943,483 | 10,971,712 |
| Investments | 9,691,284 | 125,605,858 | 974,499 | 6,385,646 | 142,657,287 |
| Accounts receivable: | | | | | |
| Federal government | 3,155,429 | 2,100 | | 1,762,442 | 4,919,971 |
| State government | 12,545,473 | | | 1,258,357 | 13,803,830 |
| Local government and other | 1,430,375 | 1,040,915 | 81,185 | 304,916 | 2,857,391 |
| Due from other funds | 424,000 | | 2,940,349 | 428,044 | 3,792,393 |
| Stores inventory | <u>240,638</u> | | | <u>296,709</u> | <u>537,347</u> |
| Total assets | <u>\$ 44,025,231</u> | <u>\$ 143,083,111</u> | <u>\$ 27,703,524</u> | <u>\$ 51,151,015</u> | <u>\$ 265,962,881</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 11,482,076 | \$ 28,148,286 | \$ 169,816 | \$ 1,203,381 | \$ 41,003,559 |
| Deferred revenue | 5,797,051 | | | 853,909 | 6,650,960 |
| Due to other funds | <u>428,044</u> | | | <u>3,364,349</u> | <u>3,792,393</u> |
| Total liabilities | 17,707,171 | 28,148,286 | 169,816 | 5,421,639 | 51,446,912 |
| Fund balances | <u>26,318,060</u> | <u>114,934,825</u> | <u>27,533,708</u> | <u>45,729,376</u> | <u>214,515,969</u> |
| Total liabilities and fund balances | <u>\$ 44,025,231</u> | <u>\$ 143,083,111</u> | <u>\$ 27,703,524</u> | <u>\$ 51,151,015</u> | <u>\$ 265,962,881</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET ASSETS**

June 30, 2005

Total fund balances - Governmental Funds \$ 214,515,969

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used for governmental activities are not
financial resources and, therefore, are not reported as
assets in governmental funds. The cost of the assets
is \$621,941,150 and the accumulated depreciation is
\$180,656,506 (Note 4). 441,284,644

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported as liabilities in the
governmental funds. Long-term liabilities at June 30, 2005
consisted of (Note 6):

| | | |
|-------------------------------------|--------------------|---------------|
| General Obligation Bonds | \$ (380,634,377) | |
| Certificates of Participation | (9,510,000) | |
| Emergency Apportionment Loan | (16,641,911) | |
| Voluntary Integration Plan | (5,052,000) | |
| Computer equipment acquisition loan | (4,123,670) | |
| Child care facilities loan | (711,492) | |
| Compensated absences | <u>(3,581,123)</u> | |
| | | (420,254,573) |

Internal service funds are used to conduct certain activities
for which costs are charged to other funds on a full cost-
recovery basis. Net assets of the Self-Insurance Fund are: 660,501

In the governmental funds, interest on long-term liabilities is not
recognized until the period in which it matures and is paid. In
the government-wide statement of activities, it is recognized in
the period that it is incurred: (9,037,629)

Costs associated with the issuance of long-term liabilities are
not financial resources and, therefore, are not reported as
assets in governmental funds. 1,426,846

Total net assets - governmental activities \$ 228,595,758

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

| | <u>General Fund</u> | <u>Building Fund</u> | <u>Capital Facilities Fund</u> | <u>All Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------|--|------------------------------------|---|
| Revenues: | | | | | |
| Revenue limit sources: | | | | | |
| State apportionment | \$ 83,100,944 | | | \$ 5,736,442 | \$ 88,837,386 |
| Local sources | <u>73,830,252</u> | | | | <u>73,830,252</u> |
| Total revenue limit | <u>156,931,196</u> | | | <u>5,736,442</u> | <u>162,667,638</u> |
| Federal sources | 27,586,934 | | | 7,899,870 | 35,486,804 |
| Other State sources | 57,388,519 | | | 18,209,175 | 75,597,694 |
| Other local sources | <u>19,668,272</u> | \$ 5,034,793 | \$ 7,759,844 | <u>27,102,014</u> | <u>59,564,923</u> |
| Total revenues | <u>261,574,921</u> | <u>5,034,793</u> | <u>7,759,844</u> | <u>58,947,501</u> | <u>333,317,059</u> |
| Expenditures: | | | | | |
| Certificated salaries | 111,235,086 | | | 2,858,070 | 114,093,156 |
| Classified salaries | 37,472,010 | 636,935 | | 5,001,402 | 43,110,347 |
| Employee benefits | 55,873,874 | 244,334 | | 2,386,438 | 58,504,646 |
| Books and supplies | 12,405,169 | 341,365 | 4,931 | 5,403,143 | 18,154,608 |
| Contract services and operating expenditures | 32,644,277 | 5,307,156 | 996,771 | 3,785,002 | 42,733,206 |
| Capital outlay | 1,496,149 | 108,892,851 | 288,718 | 13,234,655 | 123,912,373 |
| Other outgo | 712,920 | | | 2,188,685 | 2,901,605 |
| Debt service: | | | | | |
| Principal retirement | 300,000 | | | 5,867,472 | 6,167,472 |
| Interest | <u>173,870</u> | | | <u>17,467,351</u> | <u>17,641,221</u> |
| Total expenditures | <u>252,313,355</u> | <u>115,422,641</u> | <u>1,290,420</u> | <u>58,192,218</u> | <u>427,218,634</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>9,261,566</u> | <u>(110,387,848)</u> | <u>6,469,424</u> | <u>755,283</u> | <u>(93,901,575)</u> |
| Other financing sources (uses): | | | | | |
| Operating transfers in | 811,166 | | 26,771 | 3,649,417 | 4,487,354 |
| Operating transfers out | (2,330,152) | (1,319,265) | | (837,937) | (4,487,354) |
| Proceeds from the issuance of long-term liabilities | <u>173,870</u> | <u>69,999,377</u> | | | <u>70,173,247</u> |
| Total other financing sources (uses) | <u>(1,345,116)</u> | <u>68,680,112</u> | <u>26,771</u> | <u>2,811,480</u> | <u>70,173,247</u> |
| Net changes in fund balances | 7,916,450 | (41,707,736) | 6,496,195 | 3,566,763 | (23,728,328) |
| Fund balances, July 1, 2004 | <u>18,401,610</u> | <u>156,642,561</u> | <u>21,037,513</u> | <u>42,162,613</u> | <u>238,244,297</u> |
| Fund balances, June 30, 2005 | <u>\$ 26,318,060</u> | <u>\$ 114,934,825</u> | <u>\$ 27,533,708</u> | <u>\$ 45,729,376</u> | <u>\$ 214,515,969</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2005

| | | |
|---|----------------|----------------------|
| Net changes in fund balances - Total Governmental Funds | | \$ (23,728,328) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4). | \$ 134,811,877 | |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). | (10,199,616) | |
| Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6). | (70,173,247) | |
| Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 6). | 6,167,472 | |
| Issuance costs and discounts related to the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the statement of net assets. | 109,185 | |
| In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. | (1,880,117) | |
| Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. Change in net assets for the Self-Insurance Fund was: | 641,284 | |
| In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6). | <u>129,481</u> | <u>59,606,319</u> |
| Change in net assets of governmental activities | | <u>\$ 35,877,991</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
SELF-INSURANCE FUND

June 30, 2005

ASSETS

| | |
|----------------------------------|------------------|
| Cash in County Treasury (Note 2) | \$ 1,163,429 |
| Revolving cash fund (Note 2) | <u>20,000</u> |
| Total assets | <u>1,183,429</u> |

LIABILITIES

| | |
|--|----------------|
| Accounts payable | 22,928 |
| Unpaid claims and claim adjustment expenses (Note 5) | <u>500,000</u> |
| Total liabilities | <u>522,928</u> |

NET ASSETS

| | |
|---------------------|--------------------------|
| Restricted (Note 7) | <u><u>\$ 660,501</u></u> |
|---------------------|--------------------------|

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2005

| | |
|---------------------------------|--------------------------|
| Operating revenues: | |
| Self-insurance premiums | <u>\$ 2,206,000</u> |
| Operating expenses: | |
| Books and supplies | 2,621 |
| Contract services (Note 5) | <u>1,563,837</u> |
| Total operating expenses | <u>1,566,458</u> |
| Operating income | 639,542 |
| Non-operating income: | |
| Interest income | <u>1,742</u> |
| Change in net assets | 641,284 |
| Total net assets, July 1, 2004 | <u>19,217</u> |
| Total net assets, June 30, 2005 | <u><u>\$ 660,501</u></u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND

For the Year Ended June 30, 2005

| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Cash received from self-insurance premiums | \$ 2,206,000 |
| Cash paid for books and supplies | (115,161) |
| Cash paid for claims (Note 5) | (598,583) |
| Cash paid for insurance premiums | <u>(1,215,254)</u> |
| Net cash provided by operating activities | <u>277,002</u> |
| Cash flows provided by investing activities: | |
| Interest income received | <u>1,742</u> |
| Increase in cash and cash equivalents | 278,744 |
| Cash and cash equivalents, July 1, 2004 | <u>904,685</u> |
| Cash and cash equivalents, June 30, 2005 | <u><u>\$ 1,183,429</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | <u>\$ 639,542</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Decrease in: | |
| Accounts payable | (112,540) |
| Unpaid claims and claim adjustment expenses | <u>(250,000)</u> |
| Total adjustments | <u>(362,540)</u> |
| Net cash provided by operating activities | <u><u>\$ 277,002</u></u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

ALL FIDUCIARY FUNDS

June 30, 2005

ASSETS

| | |
|----------------------------------|------------------|
| Cash in County Treasury (Note 2) | \$ 1,916,913 |
| Cash awaiting deposit (Note 2) | 260 |
| Investments (Note 2) | 6,019,549 |
| Accounts receivable: | |
| Local government and other | <u>104,958</u> |
| Total assets | <u>8,041,680</u> |

LIABILITIES

| | |
|----------------------------|----------------|
| Due to regulatory agencies | <u>406,110</u> |
|----------------------------|----------------|

NET ASSETS

| | |
|---------------------|----------------------------|
| Restricted (Note 7) | <u><u>\$ 7,635,570</u></u> |
|---------------------|----------------------------|

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
RETIREE BENEFITS TRUST FUND
For the Year Ended June 30, 2005

| | |
|--|----------------------------|
| Revenues: | |
| Other local sources | \$ 12,115,209 |
| Expenditures: | |
| Contract services and operating expenditures | <u>11,174,116</u> |
| Change in net assets | 941,093 |
| Net assets, July 1, 2004 (Note 12) | <u>6,694,477</u> |
| Net assets, June 30, 2005 | <u><u>\$ 7,635,570</u></u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

West Contra Costa Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California 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 and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

On January 13, 1994, 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 (the "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 No. 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 the nongovernmental unit is dependent on another and 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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2005, 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 Corporation Debt Service Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- The financial statements include:
 - A Management Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure.
- Change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including Notes to Basic Financial Statements).

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets and the Statement of Revenues, Expenditures and Change in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, 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, 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 seven fund types as follows:

A - Governmental Fund Types

1. General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2. Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Charter Schools, Adult Education, Child Development, Cafeteria, Deferred Maintenance and Special Reserve for Other Than Capital Outlay Funds.

3. Debt Service Funds:

The 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. This classification includes the Bond Interest and Redemption, Corporation Debt Service and Debt Service Funds.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

4. Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Building, Capital Facilities, State School Building and County School Facilities Funds.

B - Proprietary Fund

1. Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the District. The Self-Insurance Fund is used to provide workers' compensation, dental and vision benefits to employees of the District.

C - Fiduciary Funds

1. Expendable Trust Fund:

The Retiree Benefits Trust Fund is an Expendable Trust Fund used to account for the District's defined post-retirement healthcare plan.

2. Agency Fund:

The Payroll Clearing Fund is an Agency Fund used by the District to account for assets held by the District as trustee. The "due to regulatory agencies" account within the Payroll Clearing Fund is used to hold dedicated funds for payroll and related expenses.

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 the measurement made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By State law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The original adopted and final revised budgets for the General Fund are presented in the basic financial statements.

Stores Inventory

Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The State does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences totaling \$3,581,123 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or 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 for certain STRS and CalPERS employees, when the employee retires.

Deferred Revenue

Revenue from Federal, State, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, stores inventory and prepaid expenses reflect the portions of net assets represented by revolving cash fund, stores inventory and prepaid expenses, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues are State programs where the revenue received is restricted for expenditures only in that particular program. The restriction for the future payment of self-insurance claims represents the portion of net assets to be used for future payment of self-insured claims. The restriction for special revenues represents the portion of net assets restricted for special purposes. The restriction for debt service repayments represents the portion of net assets which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for retiree benefits represents the portion of net assets which will be used for payment of health insurance premiums for current and future retirees.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Contra Costa bills and collects taxes for the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2005 consisted of the following:

Pooled Funds:

| | |
|-------------------------|---------------|
| Cash in County Treasury | \$ 89,190,670 |
| Cash awaiting deposit | \$ 203,360 |

Deposits:

| | |
|---------------------------|-----------|
| Cash on hand and in banks | \$ 39,522 |
| Revolving cash fund | \$ 90,000 |

Investments:

| | |
|--|---------------|
| Cash with Fiscal Agent | \$ 10,971,712 |
| Investments - Local Agency Investment Fund | \$148,676,836 |

Pooled Funds

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 school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable State laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2005, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2005, the carrying amount of the District's accounts were \$129,522, and the bank balances were \$123,365. Of the bank balances, all were insured by the FDIC insurance.

Cash with Fiscal Agent

The Cash with Fiscal Agent represents contract retentions that are placed with an independent third party. These amounts are carried in the contractor's name and all investment risk resides with the contractor.

Local Agency Investment Fund

West Contra Costa Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2005, this fund was yielding approximately 2.85% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2005, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2005, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2005 were as follows:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 424,000 | \$ 428,044 |
| Special Revenue Funds: | | |
| Cafeteria | | 424,000 |
| Capital Projects Funds: | | |
| Capital Facilities | 2,940,349 | |
| State School Building | | 2,940,349 |
| Debt Service Funds: | | |
| Corporation Debt Service | <u>428,044</u> | <u> </u> |
| Totals | <u>\$ 3,792,393</u> | <u>\$ 3,792,393</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

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 the 2004-2005 fiscal year were as follows:

| | |
|---|---------------------|
| Transfer from the General Fund to the Corporation Debt Service Fund for COP payment. | \$ 860,602 |
| Transfer from the General Fund to the Debt Service Fund for state loan repayment. | 1,469,550 |
| Transfer from the Adult Education Fund to the General Fund for indirect costs. | 152,786 |
| Transfer from the Child Development Fund to the General Fund for indirect costs. | 141,569 |
| Transfer from the Cafeteria Fund to the General Fund for indirect costs. | 516,811 |
| Transfer from the Building Fund to the Deferred Maintenance Fund for required matching contribution. | 1,319,265 |
| Transfer from the State School Building Fund to reimburse the Capital Facilities Fund for prior advances. | <u>26,771</u> |
| | <u>\$ 4,487,354</u> |

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2005 is shown below:

| | Balance July 1, 2004 | Additions | Deductions | Balance June 30, 2005 |
|--------------------------------|----------------------------|-----------------------|-------------|-----------------------------|
| <u>Governmental Activities</u> | | | | |
| Land | \$ 53,221,911 | \$ 93,073 | | \$ 53,314,984 |
| Buildings | 238,139,058 | 77,329 | | 238,216,387 |
| Site improvements | 44,154,648 | 79,443 | | 44,234,091 |
| Equipment | 10,373,716 | 1,520,510 | | 11,894,226 |
| Work-in-process | <u>141,239,940</u> | <u>133,041,522</u> | | <u>274,281,462</u> |
| Totals, at cost | <u>487,129,273</u> | <u>134,811,877</u> | <u>-</u> | <u>621,941,150</u> |
| Less accumulated depreciation: | | | | |
| Site improvements | (28,635,632) | (3,263,476) | | (31,899,108) |
| Buildings | (136,324,734) | (6,392,699) | | (142,717,433) |
| Equipment | <u>(5,496,524)</u> | <u>(543,441)</u> | | <u>(6,039,965)</u> |
| Total accumulated depreciation | <u>(170,456,890)</u> | <u>(10,199,616)</u> | <u>-</u> | <u>(180,656,506)</u> |
| Capital assets, net | <u>\$ 316,672,383</u> | <u>\$ 124,612,261</u> | <u>\$ -</u> | <u>\$ 441,284,644</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

| | |
|---|-----------------------------|
| Instruction | \$ 9,417,155 |
| Supervision of instruction | 30,308 |
| Instructional library, media and technology | 14,385 |
| School site administration | 146,370 |
| Home-to-school transportation | 1,636 |
| Food services | 227,830 |
| Data processing | 19,375 |
| All other general administration | 206,673 |
| Plant services | <u>135,884</u> |
| Total depreciation expense | <u><u>\$ 10,199,616</u></u> |

5. SELF-INSURANCE CLAIMS

The District is self-insured for property and liability claims. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for the payment of claims. For the year ended June 30, 2005, the District provides coverage up to a maximum of \$100,000 for each property or liability claim. The District participates in a joint powers authority for claims in excess of coverage provided by the Fund (Note 10).

The liability for unpaid claims and claim adjustment expenses represents the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These claims will be paid in future years.

District management recomputes the liability annually using available updated claims data. Every three years, the District contracts with an actuary who performs an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors.

The liabilities for unpaid claims and claim adjustment expenses are as follows:

| | <u>June 30,</u> <u>2005</u> | <u>June 30,</u> <u>2004</u> |
|---|--------------------------------|--------------------------------|
| Unpaid claim and claim adjustment expenses, beginning of year | \$ 750,000 | \$ 480,000 |
| Total incurred claims and claim adjustment expenses | 348,583 | 1,760,249 |
| Total payments | <u>(598,583)</u> | <u>(1,490,249)</u> |
| Total unpaid claims and claim adjustment expenses at end of year | <u><u>\$ 500,000</u></u> | <u><u>\$ 750,000</u></u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES

General Obligation Bonds

| Bond | Interest Rate % | Date of Issuance | Maturity Date | Amount of Original Issuance | Outstanding July 1, 2004 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2005 |
|--|--------------------|---------------------|------------------|-----------------------------------|--------------------------------|---------------------------|-----------------------------|---------------------------------|
| Measure E, Refunding Series A | 4.15% - 5.7% | 2001 | 2025 | \$ 28,610,000 | \$ 26,025,000 | | \$ 800,000 | \$ 25,225,000 |
| Measure E, Refunding Series B | 4.3% - 6.0% | 2001 | 2024 | 10,255,000 | 9,390,000 | | 275,000 | 9,115,000 |
| Measure M, Series A | 5.0% - 8.0% | 2001 | 2031 | 15,000,000 | 14,740,000 | | 275,000 | 14,465,000 |
| Measure M, Series B | 4.0% - 6.0% | 2001 | 2031 | 40,000,000 | 40,000,000 | | 690,000 | 39,310,000 |
| Measure M, Series C | 2.5% - 5.0% | 2003 | 2032 | 95,000,000 | 95,000,000 | | | 95,000,000 |
| Measure D, Series A | 4.25% - 7.0% | 2002 | 2031 | 30,000,000 | 30,000,000 | | 540,000 | 29,460,000 |
| Measure D, Series B | 4.1% - 5.0% | 2003 | 2032 | 100,000,000 | 100,000,000 | \$ 40,000,000 | 1,940,000 | 98,060,000 |
| Measure D, Series C, Current Interest | 4.0% - 5.0% | 2005 | 2034 | 40,000,000 | | \$ 29,999,377 | | 40,000,000 |
| Measure D, Series C Capital Appreciation | 2.4% - 5.8% | 2005 | 2034 | 29,999,377 | | 29,999,377 | | 29,999,377 |
| | | | | <u>\$ 388,864,377</u> | <u>\$ 315,155,000</u> | <u>\$ 69,999,377</u> | <u>\$ 4,520,000</u> | <u>\$ 380,634,377</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

6. LONG-TERM LIABILITIES (Continued)General Obligation Bonds (Continued)

The annual requirements to amortize the 2001 Refunding Measure E, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 830,000 | \$ 1,325,515 | \$ 2,155,515 |
| 2007 | 875,000 | 1,288,898 | 2,163,898 |
| 2008 | 915,000 | 1,249,863 | 2,164,863 |
| 2009 | 955,000 | 1,208,703 | 2,163,703 |
| 2010 | 1,005,000 | 1,164,688 | 2,169,688 |
| 2011-2015 | 5,830,000 | 5,039,004 | 10,869,004 |
| 2016-2020 | 7,605,000 | 3,346,480 | 10,951,480 |
| 2021-2025 | 7,110,000 | 1,041,277 | 8,151,277 |
| 2026 | <u>100,000</u> | <u>2,876</u> | <u>102,876</u> |
| | <u>\$ 25,225,000</u> | <u>\$ 15,667,304</u> | <u>\$ 40,892,304</u> |

The annual requirements to amortize the 2001 Refunding Measure E, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|----------------------|
| 2006 | \$ 285,008 | \$ 512,488 | \$ 797,496 |
| 2007 | 300,000 | 499,528 | 799,528 |
| 2008 | 305,000 | 485,593 | 790,593 |
| 2009 | 330,000 | 471,148 | 801,148 |
| 2010 | 345,000 | 455,325 | 800,325 |
| 2011-2015 | 2,005,000 | 1,992,361 | 3,997,361 |
| 2016-2020 | 2,685,000 | 1,354,550 | 4,039,550 |
| 2021-2025 | <u>2,860,000</u> | <u>442,050</u> | <u>3,302,050</u> |
| | <u>\$ 9,115,008</u> | <u>\$ 6,213,043</u> | <u>\$ 15,328,051</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2001 Measure M, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 285,000 | \$ 762,687 | \$ 1,047,687 |
| 2007 | 300,000 | 739,287 | 1,039,287 |
| 2008 | 315,000 | 714,688 | 1,029,688 |
| 2009 | 330,000 | 688,888 | 1,018,888 |
| 2010 | 345,000 | 663,828 | 1,008,828 |
| 2011-2015 | 1,930,000 | 3,025,594 | 4,955,594 |
| 2016-2020 | 2,375,000 | 2,490,147 | 4,865,147 |
| 2021-2025 | 2,980,000 | 1,819,337 | 4,799,337 |
| 2026-2030 | 3,795,000 | 969,350 | 4,764,350 |
| 2031 | <u>1,810,000</u> | <u>94,044</u> | <u>1,904,044</u> |
| | <u>\$ 14,465,000</u> | <u>\$ 11,967,850</u> | <u>\$ 26,432,850</u> |

The annual requirements to amortize the 2001 Measure M, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 725,000 | \$ 1,895,700 | \$ 2,620,700 |
| 2007 | 760,000 | 1,851,150 | 2,611,150 |
| 2008 | 800,000 | 1,804,350 | 2,604,350 |
| 2009 | 840,000 | 1,758,300 | 2,598,300 |
| 2010 | 885,000 | 1,718,550 | 2,603,550 |
| 2011-2015 | 5,055,000 | 8,213,391 | 13,268,391 |
| 2016-2020 | 6,380,000 | 6,746,484 | 13,126,484 |
| 2021-2025 | 8,195,000 | 4,983,625 | 13,178,625 |
| 2026-2030 | 10,600,000 | 2,647,250 | 13,247,250 |
| 2031 | <u>5,070,000</u> | <u>256,750</u> | <u>5,326,750</u> |
| | <u>\$ 39,310,000</u> | <u>\$ 31,875,550</u> | <u>\$ 71,185,550</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2003 Measure M, Series C, General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|-----------------------|
| 2006 | \$ 1,910,000 | \$ 4,413,937 | \$ 6,323,937 |
| 2007 | 1,985,000 | 4,360,287 | 6,345,287 |
| 2008 | 2,065,000 | 4,304,700 | 6,369,700 |
| 2009 | 2,145,000 | 4,246,713 | 6,391,713 |
| 2010 | 2,230,000 | 4,167,150 | 6,397,150 |
| 2011-2015 | 12,455,000 | 19,386,713 | 31,841,713 |
| 2016-2020 | 14,860,000 | 16,371,469 | 31,231,469 |
| 2021-2025 | 18,190,000 | 12,144,675 | 30,334,675 |
| 2026-2030 | 22,730,000 | 7,054,250 | 29,784,250 |
| 2031-2033 | <u>16,430,000</u> | <u>1,258,000</u> | <u>17,688,000</u> |
| | <u>\$ 95,000,000</u> | <u>\$ 77,707,894</u> | <u>\$ 172,707,894</u> |

The annual requirements to amortize the 2002 Measure D, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 570,000 | \$ 1,452,545 | \$ 2,022,545 |
| 2007 | 595,000 | 1,413,195 | 2,008,195 |
| 2008 | 625,000 | 1,370,495 | 1,995,495 |
| 2009 | 655,000 | 1,325,695 | 1,980,695 |
| 2010 | 690,000 | 1,288,108 | 1,978,108 |
| 2011-2015 | 3,910,000 | 5,964,537 | 9,874,537 |
| 2016-2020 | 4,815,000 | 5,004,585 | 9,819,585 |
| 2021-2025 | 6,085,000 | 3,669,375 | 9,754,375 |
| 2026-2030 | 7,800,000 | 1,942,500 | 9,742,500 |
| 2031-2032 | <u>3,715,000</u> | <u>188,125</u> | <u>3,903,125</u> |
| | <u>\$ 29,460,000</u> | <u>\$ 23,619,160</u> | <u>\$ 53,079,160</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2003 Measure D, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 2,000,000 | \$ 4,669,353 | \$ 6,669,353 |
| 2007 | 2,055,000 | 4,567,977 | 6,622,977 |
| 2008 | 2,120,000 | 4,463,603 | 6,583,603 |
| 2009 | 2,195,000 | 4,363,958 | 6,558,958 |
| 2010 | 2,270,000 | 4,266,240 | 6,536,240 |
| 2011-2015 | 12,745,000 | 19,673,150 | 32,418,150 |
| 2016-2020 | 15,360,000 | 16,705,620 | 32,065,620 |
| 2021-2025 | 18,855,000 | 12,552,375 | 31,407,375 |
| 2026-2030 | 23,520,000 | 7,280,500 | 30,800,500 |
| 2031-2033 | <u>16,940,000</u> | <u>1,297,000</u> | <u>18,237,000</u> |
| | <u>\$ 98,060,000</u> | <u>\$ 79,839,776</u> | <u>\$177,899,776</u> |

The annual requirements to amortize the 2005 Measure D, Series C, Current Interest General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | | \$ 1,921,597 | \$ 1,921,597 |
| 2007 | \$ 645,000 | 1,905,473 | 2,550,473 |
| 2008 | 675,000 | 1,872,473 | 2,547,473 |
| 2009 | 710,000 | 1,841,397 | 2,551,397 |
| 2010 | 745,000 | 1,812,298 | 2,557,298 |
| 2011-2015 | 4,315,000 | 8,571,300 | 12,886,300 |
| 2016-2020 | 5,435,000 | 7,570,977 | 13,005,977 |
| 2021-2025 | 6,920,000 | 6,115,731 | 13,035,731 |
| 2026-2030 | 8,950,000 | 4,066,250 | 13,016,250 |
| 2031-2035 | <u>11,605,000</u> | <u>1,511,375</u> | <u>13,116,375</u> |
| | <u>\$ 40,000,000</u> | <u>\$ 37,188,871</u> | <u>\$ 77,188,871</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2005 Measure D, Series C, Capital Appreciation General Obligation Bonds Payable, outstanding as of June 30, 2005, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ - | \$ - | \$ - |
| 2007 | 8,966 | 1,034 | 10,000 |
| 2008 | 139,973 | 25,027 | 165,000 |
| 2009 | 260,861 | 64,139 | 325,000 |
| 2010 | 372,121 | 117,879 | 490,000 |
| 2011-2015 | 3,248,743 | 1,891,257 | 5,140,000 |
| 2016-2020 | 4,294,331 | 4,545,669 | 8,840,000 |
| 2021-2025 | 6,073,925 | 10,466,075 | 16,540,000 |
| 2026-2030 | 7,070,704 | 18,269,296 | 25,340,000 |
| 2031-2035 | 8,529,753 | 32,075,247 | 40,605,000 |
| | <u>\$ 29,999,377</u> | <u>\$ 67,455,623</u> | <u>\$ 97,455,000</u> |

Certificates of Participation (COPs)

On April, 1, 1994, the West Contra Costa Unified School District Financing Corporation issued Certificates of Participation (COPs). The proceeds of this issuance were used to refund a 1988 COPS issuance. Semi-annual payments are made and include interest at amounts varying from 6.0% to 7.125%.

Scheduled payments for the COPs are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|----------------------|
| 2006 | \$ 245,000 | \$ 670,712 | \$ 915,712 |
| 2007 | 265,000 | 653,525 | 918,525 |
| 2008 | 285,000 | 634,962 | 919,962 |
| 2009 | 305,000 | 615,025 | 920,025 |
| 2010 | 325,000 | 593,513 | 918,513 |
| 2011-2015 | 2,030,000 | 2,576,400 | 4,606,400 |
| 2016-2020 | 2,890,000 | 1,722,469 | 4,612,469 |
| 2021-2025 | 3,165,000 | 528,498 | 3,693,498 |
| | <u>\$ 9,510,000</u> | <u>\$ 7,995,104</u> | <u>\$ 17,505,104</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Emergency Apportionment Loan

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 of California 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 annual interest rate of 4.543%. On October 13, 1997, the State of California agreed to restructure the remaining debt following the District's fiscal year 1997-98 payment. The outstanding balance is to be repaid using the straight line amortization method over a 20 year term and bearing interest at 5.692%. Additional legislation, Assembly Bill 2756 on June 21, 2004, reduced the interest rate of the repayment of the emergency apportionment thereby reducing annual payments by approximately \$400,000. Payments are made on February 1 of each year from any available funds of the District and are calculated using a future interest rate of 1.532%.

The revised future 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> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2006 | \$ 1,166,648 | \$ 254,954 | \$ 1,421,602 |
| 2007 | 1,184,521 | 237,081 | 1,421,602 |
| 2008 | 1,202,668 | 218,934 | 1,421,602 |
| 2009 | 1,221,093 | 200,509 | 1,421,602 |
| 2010 | 1,239,800 | 181,802 | 1,421,602 |
| 2011-2015 | 6,489,792 | 618,218 | 7,108,010 |
| 2016-2018 | <u>4,137,389</u> | <u>127,412</u> | <u>4,264,801</u> |
| | <u>\$ 16,641,911</u> | <u>\$ 1,838,910</u> | <u>\$ 18,480,821</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Voluntary Integration Plan

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, 1992, 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 as follows:

| <u>Year Ending June 30,</u> | <u>Total Payments</u> |
|---------------------------------|---------------------------|
| 2006 | \$ 300,000 |
| 2007 | 300,000 |
| 2008 | 300,000 |
| 2009 | 300,000 |
| 2010 | 300,000 |
| 2011-2015 | 1,500,000 |
| 2016-2020 | 1,500,000 |
| 2021-2022 | <u>552,000</u> |
| Total payments | <u>\$ 5,052,000</u> |

Computer Equipment Acquisition Loan

During fiscal year 1989-90, the District financed the acquisition of an administrative and instructional computer system with a loan from IBM. The acquired assets collateralized the loans. 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 \$3,623,744, represented by \$2,459,111 of principal and \$1,164,633 of interest, payable in fiscal years 2007-08 through 2010-11. The Pooled Money investment rate of 4.402% as of June 30, 1994, was used to impute the interest costs implicit in the repayment amounts. For the year ended June 30, 2005, the accrued imputed interest is \$173,870. Therefore, the carrying amount of the loan at June 30, 2005 is \$4,123,670.

| <u>Year Ending June 30,</u> | <u>Total Payments</u> |
|-----------------------------------|---------------------------|
| 2006 | \$ 0 |
| 2007 | 0 |
| 2008 | 1,250,000 |
| 2009 | 1,250,000 |
| 2010 | 1,250,000 |
| 2011-2015 | <u>1,250,000</u> |
| | 5,000,000 |
| Less amount representing interest | <u>(876,330)</u> |
| Total payments | <u>\$ 4,123,670</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Child Care Facilities Loan

On February 7, 2001, the District received a no-interest loan from the California Department of Education for the development and acquisition of child care facilities. The District received an initial amount of \$573,048 with the District repaying \$33,000 of the loan. In 2002-03, the District received an additional \$598,060. The carrying balance of the loan as of June 30, 2005 is \$711,492. The loan balance is to be repaid in ten annual installments.

The following is a schedule of loan repayments:

| <u>Year Ending June 30,</u> | <u>Total Payments</u> |
|---------------------------------|---------------------------|
| 2006 | \$ 97,524 |
| 2007 | 97,524 |
| 2008 | 97,524 |
| 2009 | 97,524 |
| 2010 | 97,524 |
| 2011-2013 | <u>223,872</u> |
| Total payments | <u>\$ 711,492</u> |

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2005 is shown below:

| | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2005</u> | <u>Amounts Due Within One Year</u> |
|--|-------------------------------------|----------------------|---------------------|--------------------------------------|--|
| Governmental activities: | | | | | |
| General Obligation Bonds | \$ 315,155,000 | \$ 69,999,377 | \$ 4,520,000 | \$ 380,634,377 | \$ 6,605,000 |
| Certificates of Participation | 9,745,000 | | 235,000 | 9,510,000 | 245,000 |
| Emergency Apportionment Loan | 17,656,859 | | 1,014,948 | 16,641,911 | 1,166,648 |
| Voluntary Integration Plan | 5,352,000 | | 300,000 | 5,052,000 | 300,000 |
| Computer equipment acquisition loan | 3,949,800 | 173,870 | | 4,123,670 | |
| Child care facilities loan | 809,016 | | 97,524 | 711,492 | 97,524 |
| Compensated absences | <u>3,710,604</u> | | <u>129,481</u> | <u>3,581,123</u> | |
| Total | <u>\$ 356,378,279</u> | <u>\$ 70,173,247</u> | <u>\$ 6,296,953</u> | <u>\$ 420,254,573</u> | <u>\$ 8,414,172</u> |

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Corporation Debt Service Fund. Payments on the Emergency Apportionment Loan are made from the Debt Service Fund. Payments on the Voluntary Integration Plan are made from the General Fund. Payments on the child care facilities acquisition loan are made from the Child Development Fund. Payments on compensated absences are made from the fund for which the related employee worked.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2005:

| | <u>Governmental Activities</u> | <u>Fiduciary Funds</u> |
|---|------------------------------------|----------------------------|
| Restricted for revolving cash | \$ 70,000 | |
| Restricted for stores inventory | 537,347 | |
| Restricted for prepaid expenses | 1,426,846 | |
| Restricted for unspent categorical program revenues | 8,927,010 | |
| Restricted for future payment of self-insured claims | 660,501 | |
| Restricted for special revenues | 9,388,992 | |
| Restricted for debt service | 22,335,318 | |
| Restricted for capital projects | 29,767,712 | |
| Restricted for retiree benefits | | \$ 7,635,570 |
| | <u>\$ 73,113,726</u> | <u>\$ 7,635,570</u> |
| Total restricted net assets | <u>\$ 73,113,726</u> | <u>\$ 7,635,570</u> |

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 9.952% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2003, 2004 and 2005 were \$984,006, \$3,578,987 and \$3,410,786, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (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 Executive Office, 7667 Folsom Boulevard, Sacramento, California 95826.

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2004-2005 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, 2003, 2004 and 2005 were \$9,423,802, \$9,282,479 and \$8,958,003, respectively, and equal 100% of the required contributions for each year.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-employment 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 retire under the age of 65 and has accumulated a total of 30 years in public education including ten years with the District; and (3) have accumulated one additional year (over the ten-year minimum) in the District for each year under 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). As of June 30, 2005 a total of 1,915 retirees met these requirement.

The District offers retirees a choice of two health maintenance organizations (HMO's) for health benefits and a supplemental Medicare Part A Plan; dental benefits are offered through one insurer. The District pays 100% for the monthly HMO and dental benefit premiums for eligible retirees and their spouses. All eligible retirees and their spouses who qualify for Medicare benefits must apply for and pay premiums to Medicare as prescribed by law. Expenditures for post-employment health care benefits are recognized when paid. During the year ended June 30, 2005, expenditures of \$11,174,116 were recognized for post-employment health care benefits.

10. JOINT POWERS AGREEMENTS

Contra Costa County Schools Insurance Group

The District is a member with other school districts of a Joint Powers Authority, Contra Costa County Schools Insurance Group (CCCSIG), for the operation of a common risk management and insurance program for workers' compensation coverage. The following is a summary of financial information for CCCSIG at June 30, 2004 (the most current information available):

| | |
|----------------------|----------------|
| Total assets | \$ 54,207,577 |
| Total liabilities | \$ 53,560,874 |
| Total net assets | \$ 646,703 |
| Total revenues | \$ 22,192,294 |
| Total expenses | \$ 28,158,212 |
| Change in net assets | \$ (5,965,918) |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. JOINT POWERS AGREEMENTS (Continued)

Northern California Regional Liability Excess Fund (Nor Cal Relief)

The District is a member with other agencies of a Joint Powers Authority, Northern California Regional Liability Excess Fund (Nor Cal Relief), for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information for Nor Cal Relief at June 30, 2004 (the most current information available):

| | | |
|----------------------|----|-------------|
| Total assets | \$ | 30,787,480 |
| Total liabilities | \$ | 28,322,961 |
| Total net assets | \$ | 2,464,519 |
| Total revenues | \$ | 26,333,864 |
| Total expenses | \$ | 32,140,398 |
| Change in net assets | \$ | (5,806,534) |

The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

11. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position.

12. FUND RECLASSIFICATION

The District reported the Retiree Benefits Trust Fund as a non-major governmental fund in the government-wide financial statements for the year ended June 30, 2004. This Fund is not a governmental fund and, therefore, is not included in the government-wide financial statements for the year ended June 30, 2005. The effect is to decrease beginning net assets in the government-wide financial statements and increase beginning net assets for fiduciary funds by \$6,694,477.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2005

| | <u>Budget</u> | | | <u>Variance</u> |
|---|----------------------|----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavorable)</u> |
| Revenues: | | | | |
| Revenue limit sources: | | | | |
| State apportionment | \$ 72,092,850 | \$ 83,463,662 | \$ 83,100,944 | \$ (362,718) |
| Local sources | <u>86,231,193</u> | <u>73,863,532</u> | <u>73,830,252</u> | <u>(33,280)</u> |
| Total revenue limit | <u>158,324,043</u> | <u>157,327,194</u> | <u>156,931,196</u> | <u>(395,998)</u> |
| Federal sources | 22,668,389 | 35,487,251 | 27,586,934 | (7,900,317) |
| Other State sources | 52,259,520 | 61,421,558 | 57,388,519 | (4,033,039) |
| Other local sources | <u>15,071,578</u> | <u>19,420,745</u> | <u>19,668,272</u> | <u>247,527</u> |
| Total revenues | <u>248,323,530</u> | <u>273,656,748</u> | <u>261,574,921</u> | <u>(12,081,827)</u> |
| Expenditures: | | | | |
| Certificated salaries | 107,108,683 | 114,211,138 | 111,235,086 | 2,976,052 |
| Classified salaries | 34,197,567 | 38,872,233 | 37,472,010 | 1,400,223 |
| Employee benefits | 56,906,296 | 57,667,102 | 55,873,874 | 1,793,228 |
| Books and supplies | 19,081,125 | 22,807,747 | 12,405,169 | 10,402,578 |
| Contract services and operating expenditures | 27,197,398 | 38,379,767 | 32,644,277 | 5,735,490 |
| Capital outlay | 661,379 | 2,184,828 | 1,496,149 | 688,679 |
| Other outgo | 1,006,500 | 713,346 | 712,920 | 426 |
| Debt service: | | | | |
| Principal retirement | 300,000 | 300,000 | 300,000 | |
| Interest | <u>173,870</u> | <u>173,870</u> | <u>173,870</u> | |
| Total expenditures | <u>246,632,818</u> | <u>275,310,031</u> | <u>252,313,355</u> | <u>22,996,676</u> |
| Excess of revenues over expenditures | <u>1,690,712</u> | <u>(1,653,283)</u> | <u>9,261,566</u> | <u>10,914,849</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | 871,671 | 1,849,100 | 811,166 | (1,037,934) |
| Operating transfers out | (2,735,591) | (2,888,758) | (2,330,152) | 558,606 |
| Proceeds from the issuance of long-term liabilities | <u>173,870</u> | <u>173,870</u> | <u>173,870</u> | |
| Total other financing sources (uses) | <u>(1,690,050)</u> | <u>(865,788)</u> | <u>(1,345,116)</u> | <u>(479,328)</u> |
| Net change in fund balance | 662 | (2,519,071) | 7,916,450 | 10,435,521 |
| Fund balance, July 1, 2004 | <u>18,401,610</u> | <u>18,401,610</u> | <u>18,401,610</u> | |
| Fund balance, June 30, 2005 | <u>\$ 18,402,272</u> | <u>\$ 15,882,539</u> | <u>\$ 26,318,060</u> | <u>\$ 10,435,521</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - BUILDING FUND

For the Year Ended June 30, 2005

| | <u>Budget</u> | | | <u>Variance</u> |
|---|----------------------|-----------------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavorable)</u> |
| Revenues: | | | | |
| Other local sources | <u>\$ 1,300,000</u> | <u>\$ 2,842,618</u> | <u>\$ 5,034,793</u> | <u>\$ 2,192,175</u> |
| Expenditures: | | | | |
| Classified salaries | 614,873 | 637,334 | 636,935 | 399 |
| Employee benefits | 252,075 | 254,778 | 244,334 | 10,444 |
| Books and supplies | | 568,538 | 341,365 | 227,173 |
| Contract services and operating expenditures | | 3,503,038 | 5,307,156 | (1,804,118) |
| Capital outlay | <u>132,473,138</u> | <u>120,937,364</u> | <u>108,892,851</u> | <u>12,044,513</u> |
| Total expenditures | <u>133,340,086</u> | <u>125,901,052</u> | <u>115,422,641</u> | <u>10,478,411</u> |
| Deficiency of revenues under expenditures | <u>(132,040,086)</u> | <u>(123,058,434)</u> | <u>(110,387,848)</u> | <u>12,670,586</u> |
| Other financing sources (uses): | | | | |
| Operating transfers out | (945,000) | (1,298,110) | (1,319,265) | (21,155) |
| Proceeds from the issuance of long-term liabilities | <u>70,000,000</u> | <u>70,000,000</u> | <u>69,999,377</u> | <u>(623)</u> |
| Total other financing sources (uses) | <u>69,055,000</u> | <u>68,701,890</u> | <u>68,680,112</u> | <u>(21,778)</u> |
| Net change in fund balance | <u>(62,985,086)</u> | <u>(54,356,544)</u> | <u>(41,707,736)</u> | <u>12,648,808</u> |
| Fund balance, July 1, 2004 | <u>156,642,561</u> | <u>156,642,561</u> | <u>156,642,561</u> | |
| Fund balance, June 30, 2005 | <u>\$ 93,657,475</u> | <u>\$ 102,286,017</u> | <u>\$ 114,934,825</u> | <u>\$ 12,648,808</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - CAPITAL FACILITIES FUND

For the Year Ended June 30, 2005

| | <u>Budget</u> | | | <u>Variance</u> |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Favorable</u> |
| | | | | <u>(Unfavorable)</u> |
| Revenues: | | | | |
| Other local sources | <u>\$ 6,288,000</u> | <u>\$ 6,536,490</u> | <u>\$ 7,759,844</u> | <u>\$ 1,223,354</u> |
| Expenditures: | | | | |
| Books and supplies | 19,400 | 11,100 | 4,931 | 6,169 |
| Contract services and operating | | | | |
| expenditures | 916,412 | 1,006,712 | 996,771 | 9,941 |
| Capital outlay | <u>80,618</u> | <u>409,203</u> | <u>288,718</u> | <u>120,485</u> |
| Total expenditures | <u>1,016,430</u> | <u>1,427,015</u> | <u>1,290,420</u> | <u>136,595</u> |
| Excess of revenues over | | | | |
| expenditures | 5,271,570 | 5,109,475 | 6,469,424 | 1,359,949 |
| Other financing sources: | | | | |
| Operating transfers in | | | <u>26,771</u> | <u>26,771</u> |
| Net change in fund balance | 5,271,570 | 5,109,475 | 6,496,195 | 1,386,720 |
| Fund balance, July 1, 2004 | <u>21,037,513</u> | <u>21,037,513</u> | <u>21,037,513</u> | |
| Fund balance, June 30, 2005 | <u>\$ 26,309,083</u> | <u>\$ 26,146,988</u> | <u>\$ 27,533,708</u> | <u>\$ 1,386,720</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2005

| | Charter Schools Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Special Reserve for Other Than Capital Outlay Fund | Subtotal |
|----|----------------------------|----------------------------|------------------------------|-------------------|---------------------------------|---|------------------------|
| \$ | 505,457 | \$ 382,522 21,002 | \$ 1,181,116 | \$ 3,975 | \$ 4,830,671 | \$ 1,717 | \$ 6,905,458 21,002 |
| | | 1,490,201 | | | | 795,955 | 2,286,156 |
| | 162,867 | 189,515 | | 1,410,060 | | | 1,762,442 |
| | 12,564 | 1,227,673 | | | 18,120 | | 1,258,357 |
| | 13,245 | 115,508 | 20,282 | | | 5,648 | 154,683 |
| | | | | 296,709 | | | - 296,709 |
| \$ | 694,133 | \$ 3,426,421 | \$ 1,201,398 | \$ 1,710,744 | \$ 4,848,791 | \$ 803,320 | \$ 12,684,807 |

ASSETS

Cash in County Treasury
Cash on hand and in banks
Cash with Fiscal Agent
Investments
Accounts receivable:
Federal government
State government
Local government and other
Due from other funds
Stores inventory

Total assets

LIABILITIES AND
FUND BALANCES

Liabilities:

Accounts payable
Deferred revenue
Due to other funds

Total liabilities

Fund balances

Total liabilities and fund balances

| | | | | | |
|------------|--------------|--------------|--------------|------------|---------------|
| \$ 376,581 | \$ 272,451 | \$ 84,556 | \$ 184,289 | | \$ 917,877 |
| | 345,486 | 508,423 | | | 853,909 |
| | | | 424,000 | | 424,000 |
| 376,581 | 617,937 | 592,979 | 608,289 | - | 2,195,786 |
| 317,552 | 2,808,484 | 608,419 | 1,102,455 | 803,320 | 10,489,021 |
| \$ 694,133 | \$ 3,426,421 | \$ 1,201,398 | \$ 1,710,744 | \$ 803,320 | \$ 12,684,807 |

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

(Continued)

June 30, 2005

| | State- School Building Fund | County School Facilities Fund | Bond Interest and Redemption Fund | Corporation Debt Service Fund | Debt Service Fund | Total |
|----------------------------|--------------------------------------|--|--|--|-------------------------|----------------------|
| ASSETS | | | | | | |
| Cash in County Treasury | \$ 2,934,438 | \$ 13,129,048 | \$ 14,959,078 | | \$ 1,822,394 | \$ 39,750,416 |
| Cash on hand and in banks | | | | | | 21,002 |
| Cash with Fiscal Agent | | | | \$ 942,486 | 997 | 943,483 |
| Investments | | | | | 4,099,490 | 6,385,646 |
| Accounts receivable: | | | | | | |
| Federal government | | | | | | 1,762,442 |
| State government | | | | | | 1,258,357 |
| Local government and other | 5,911 | 61,493 | 44,102 | | 38,727 | 304,916 |
| Due from other funds | | | | 428,044 | | 428,044 |
| Stores inventory | | | | | | 296,709 |
| Total assets | <u>\$ 2,940,349</u> | <u>\$ 13,190,541</u> | <u>\$ 15,003,180</u> | <u>\$ 1,370,530</u> | <u>\$ 5,961,608</u> | <u>\$ 51,151,015</u> |

LIABILITIES AND
FUND BALANCES

| | | | | | | |
|-------------------------------------|---------------------|----------------------|----------------------|---------------------|---------------------|----------------------|
| Liabilities: | | | | | | |
| Accounts payable | | \$ 285,504 | | | | \$ 1,203,381 |
| Deferred revenue | | | | | | 853,909 |
| Due to other funds | <u>\$ 2,940,349</u> | | | | | <u>3,364,349</u> |
| Total liabilities | 2,940,349 | 285,504 | - | - | - | 5,421,639 |
| Fund balances | - | 12,905,037 | \$ 15,003,180 | \$ 1,370,530 | \$ 5,961,608 | 45,729,376 |
| Total liabilities and fund balances | <u>\$ 2,940,349</u> | <u>\$ 13,190,541</u> | <u>\$ 15,003,180</u> | <u>\$ 1,370,530</u> | <u>\$ 5,961,608</u> | <u>\$ 51,151,015</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2005

| | Charter Schools Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Special Reserve for Other Than Capital Outlay Fund | Subtotal |
|--|----------------------------|----------------------------|------------------------------|---------------------|---------------------------------|---|----------------------|
| Revenues: | | | | | | | |
| Revenue limit sources: | | | | | | | |
| State apportionment | \$ 1,180,550 | \$ 3,555,892 | | \$ 1,000,000 | | | \$ 5,736,442 |
| Federal sources | 61,374 | 369,133 | \$ 500,353 | 6,969,010 | | | 7,899,870 |
| Other State sources | 255,353 | 314,994 | 1,887,434 | 525,077 | \$ 1,298,110 | | 4,280,968 |
| Other local sources | 674,691 | 360,374 | 57,382 | 1,730,314 | 104,462 | \$ 9,329 | 2,936,552 |
| Total revenues | <u>2,171,968</u> | <u>4,600,393</u> | <u>2,445,169</u> | <u>10,224,401</u> | <u>1,402,572</u> | <u>9,329</u> | <u>20,853,832</u> |
| Expenditures: | | | | | | | |
| Certificated salaries | | 1,848,345 | 1,009,725 | | | | 2,858,070 |
| Classified salaries | | 600,602 | 658,074 | 3,742,726 | | | 5,001,402 |
| Employee benefits | | 569,485 | 480,746 | 1,336,207 | | | 2,386,438 |
| Books and supplies | | 100,766 | 49,169 | 3,834,698 | | | 3,984,633 |
| Contract services and operating expenditures | | 279,810 | 51,961 | 386,774 | 14,000 | | 732,545 |
| Capital outlay | | | 10,223 | 112,975 | 1,331,265 | | 1,454,463 |
| Other outgo | 2,188,685 | | | | | | 2,188,685 |
| Debt service: | | | | | | | |
| Principal retirement | | | 97,524 | | | | 97,524 |
| Interest | | | | | | | |
| Total expenditures | <u>2,188,685</u> | <u>3,399,008</u> | <u>2,357,422</u> | <u>9,413,380</u> | <u>1,345,265</u> | <u>-</u> | <u>18,703,760</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(16,717)</u> | <u>1,201,385</u> | <u>87,747</u> | <u>811,021</u> | <u>57,307</u> | <u>9,329</u> | <u>2,150,072</u> |
| Other financing sources (uses): | | | | | | | |
| Operating transfers in | | (152,786) | (141,569) | (516,811) | 1,319,265 | | 1,319,265 |
| Operating transfers out | | (152,786) | (141,569) | (516,811) | 1,319,265 | | (811,166) |
| Total other financing sources (uses) | | | | | | | 508,099 |
| Net change in fund balances | (16,717) | 1,048,599 | (53,822) | 294,210 | 1,376,572 | 9,329 | 2,658,171 |
| Fund balances, July 1, 2004 | 334,269 | 1,759,885 | 662,241 | 808,245 | 3,472,219 | 793,991 | 7,830,850 |
| Fund balances, June 30, 2005 | <u>\$ 317,552</u> | <u>\$ 2,808,484</u> | <u>\$ 608,419</u> | <u>\$ 1,102,455</u> | <u>\$ 4,848,791</u> | <u>\$ 803,320</u> | <u>\$ 10,489,021</u> |

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

(Continued)

For the Year Ended June 30, 2005

| | State-School Building Fund | County School Facilities Fund | Bond Interest and Redemption Fund | Corporation Debt Service Fund | Debt Service Fund | Total |
|---|----------------------------|-------------------------------|-----------------------------------|-------------------------------|---------------------|----------------------|
| Revenues: | | | | | | |
| Revenue limit sources: | | | | | | |
| State apportionment | | | | | | \$ 5,736,442 |
| Federal sources | | | | | | 7,899,870 |
| Other State sources | | \$ 13,562,949 | \$ 365,258 | | | 18,209,175 |
| Other local sources | \$ 26,771 | 415,105 | 23,562,692 | \$ 38,944 | \$ 121,950 | 27,102,014 |
| Total revenues | <u>26,771</u> | <u>13,978,054</u> | <u>23,927,950</u> | <u>38,944</u> | <u>121,950</u> | <u>58,947,501</u> |
| Expenditures: | | | | | | |
| Certificated salaries | | | | | | 2,858,070 |
| Classified salaries | | | | | | 5,001,402 |
| Employee benefits | | | | | | 2,386,438 |
| Books and supplies | | 1,418,510 | | | | 5,403,143 |
| Contract services and operating expenditures | | 3,052,457 | | | | 3,785,002 |
| Capital outlay | | 11,780,192 | | | | 13,234,655 |
| Other outgo | | | | | | 2,188,685 |
| Debt service: | | | | | | |
| Principal retirement | | | | | | |
| Interest | | | 4,520,000 | 235,000 | 1,014,948 | 5,867,472 |
| Total expenditures | <u>-</u> | <u>16,251,159</u> | <u>16,203,632</u> | <u>687,164</u> | <u>576,555</u> | <u>17,467,351</u> |
| (Deficiency) excess of revenues (under) over expenditures | | | <u>20,723,632</u> | <u>922,164</u> | <u>1,591,503</u> | <u>58,192,218</u> |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | 26,771 | (2,273,105) | 3,204,318 | (883,220) | (1,469,553) | 755,283 |
| Operating transfers out | <u>(26,771)</u> | <u>-</u> | <u>-</u> | <u>860,602</u> | <u>1,469,550</u> | <u>3,649,417</u> |
| Total other financing sources (uses) | <u>(26,771)</u> | <u>-</u> | <u>-</u> | <u>860,602</u> | <u>1,469,550</u> | <u>(837,937)</u> |
| Net change in fund balances | | (2,273,105) | 3,204,318 | (22,618) | (3) | 3,566,763 |
| Fund balances, July 1, 2004 | | 15,178,142 | 11,798,862 | 1,393,148 | 5,961,611 | 42,162,613 |
| Fund balances, June 30, 2005 | <u>\$ -</u> | <u>\$ 12,905,037</u> | <u>\$ 15,003,180</u> | <u>\$ 1,370,530</u> | <u>\$ 5,961,608</u> | <u>\$ 45,729,376</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL TRUST AND AGENCY FUNDS

June 30, 2005

| | <u>Expendable Trust Fund Retiree Benefits Trust</u> | <u>Agency Fund Payroll Clearing Fund</u> | <u>Total</u> |
|--|--|---|----------------------------|
| ASSETS | | | |
| Cash in County Treasury | \$ 1,564,120 | \$ 352,793 | \$ 1,916,913 |
| Cash awaiting deposit | | 260 | 260 |
| Investments | 6,019,549 | | 6,019,549 |
| Accounts receivable: | | | |
| Local government and other | <u>51,901</u> | <u>53,057</u> | <u>104,958</u> |
| Total assets | <u>\$ 7,635,570</u> | <u>\$ 406,110</u> | <u>\$ 8,041,680</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Due to regulatory agencies | | \$ 406,110 | \$ 406,110 |
| Fund balances: | | | |
| Restricted | <u>\$ 7,635,570</u> | <u> </u> | <u>7,635,570</u> |
| Total liabilities and fund balances | <u>\$ 7,635,570</u> | <u>\$ 406,110</u> | <u>\$ 8,041,680</u> |

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2005

The West Contra Costa Unified School District, became established as the Richmond Unified School District on July 1, 1965, and, with the passage of AB 535, was renamed the West Contra Costa Unified School District on March 17, 1993. The District is comprised of an area of approximately 112 square miles located in Contra Costa County in the State of California. There were no changes in the boundaries of the District during the current year. The District is currently operating one special education pre-school, forty elementary, five intermediate, one intermediate/high and five high schools. The District also maintains eight alternative high schools, an elementary community day school and a school for continuing adult education.

BOARD OF TRUSTEES

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|----------------|---------------|---------------------|
| Glen Price | President | December 1, 2006 |
| David Brown | Clerk | December 1, 2008 |
| Karen Fenton | Member | December 1, 2006 |
| Karen Pfeifer | Member | December 1, 2008 |
| Charles Ramsey | Member | December 1, 2006 |

ADMINISTRATION

Gloria Johnston, Ph.D. *
Superintendent of Schools

Ruth Vedovelli
Associate Superintendent, Business Services

* Dr. Johnston retired effective August 15, 2005. Dr. Cynthia LeBlanc has been appointed as Interim Superintendent.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**SCHEDULE OF AVERAGE DAILY ATTENDANCE****For the Year Ended June 30, 2005**

| | <u>Second Period Report</u> | <u>Annual Report</u> |
|-----------------------------------|--|---------------------------------|
| Elementary: | | |
| Kindergarten | 2,213 | 2,217 |
| First through Third | 7,031 | 7,018 |
| Fourth through Eighth | 11,130 | 11,046 |
| Home and Hospital | 5 | 5 |
| Special Education | 969 | 965 |
| Non Public Schools | 25 | 24 |
| Community Day School | 34 | 40 |
| Opportunity Schools | <u>27</u> | <u>28</u> |
| Total Elementary | <u>21,434</u> | <u>21,343</u> |
| Secondary: | | |
| Regular Classes | 7,696 | 7,574 |
| Special Education | 579 | 562 |
| Compulsory Continuation Education | 441 | 431 |
| Opportunity Schools | 12 | 12 |
| Home and Hospital | 11 | 12 |
| Non Public Schools | <u>66</u> | <u>67</u> |
| Total Secondary | <u>8,805</u> | <u>8,658</u> |
| Classes for Adults: | | |
| Concurrently Enrolled | 7 | 7 |
| Classes for Adults | <u>1,158</u> | <u>1,223</u> |
| Total for Adults | <u>1,165</u> | <u>1,230</u> |
| | <u>31,404</u> | <u>31,231</u> |
| | <u>Hours of Attendance</u> | |
| Summer School: | | |
| Elementary | 196,938 | 197,110 |
| Secondary | <u>131,456</u> | <u>131,840</u> |
| | <u>328,394</u> | <u>328,950</u> |

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2005

| <u>Grade Level</u> | <u>1986-87 Minutes Require- ment</u> | <u>1982-83 Actual Minutes</u> | <u>2004-05 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|---------------------------|---|--|--|---|----------------------|
| Kindergarten | 36,000 | 31,500 | 36,000 | 180 | In Compliance |
| Grades 1 to 3 | 50,400 | 45,160 | 50,870 | 180 | In Compliance |
| Grades 4 to 6 | 54,000 | 45,160 | 54,470 | 180 | In Compliance |
| Grades 7 and 8 | 54,000 | 45,160 | 54,470 | 180 | In Compliance |
| Grades 9 to 12 | 64,800 | 52,898 | 64,884 | 180 | In Compliance |

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2005

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass- Through Entity Identifying Number | Federal Expend- itures |
|---------------------------------------|---|--|---------------------------------------|
| 84.010 | NCLB: Title I, Part A, Basic Grants Low Income and Neglected | 14329 | \$ 10,351,988 |
| 84.010 | NCLB: Title I, Part A, Basic Grants Low Income and Neglected - Charter School | 14329 | 54,495 |
| 84.010 | NCLB: Title I, Comprehensive School Reform (SB IX Immediate Intervention/Underperforming Schools) | 13966 | 59,464 |
| 84.010 | NCLB: Title I, Part A, Program Improvement District Intervention | 14581 | 31,232 |
| 84.186 | NCLB: Title IV, Safe and Drug Free Schools and Communities, Formula Grants | 14347 | 304,690 |
| 84.216 | NCLB: Title I, Capital Expenses/Private Schools | 13953 | 12,641 |
| 84.287 | NCLB: Title IV, 21st Century Community Centers Learning Program | 14350 | 627,019 |
| 84.298A | NCLB: Title V, Part A, Innovative Education Strategies | 14354 | 159,992 |
| 84.298A | NCLB: Title V, Part A, Innovative Education Strategies | 14354 | 2,823 |
| 84.338 | NCLB: Title VIII, Reading Excellence Act: Local Reading Improvement Grants | 14155 | 59,823 |
| 84.318 | NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants | 14334 | 231,489 |
| 84.357 | NCLB: Title I, Part B, Reading First Program - LEA Subgrant | 14328 | 2,834,153 |
| 84.365 | NCLB: Title III Immigrant Education Program | 14346 | 121,801 |
| 84.365 | NCLB: Title III, Limited English Proficiency (LEP) Student Program | 10084 | 925,595 |
| 84.367 | NCLB: Title II, Part A, Improving Teacher Quality Local Grants | 14341 | 2,905,935 |
| 84.367 | NCLB: Title II, Part A, Improving Teacher Quality Local Grants - Charter School | 14341 | 3,741 |
| 84.027 | Special Education IDEA: Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142) | 13379 | 5,531,935 |
| 84.027A | Special Education IDEA: Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5) | 13682 | 456,958 |
| 84.027A | Special Education IDEA: Local Staff Development Grants, Part B, Sec. 611 | 13613 | 22,434 |
| 84.027A | Special Education IDEA: Interpreter Certification, Part B, Sec. 611 | 01802 | 6,243 |
| 84.027 | Special Education - Alternative Dispute Resolution, Part B, Sec. 611 | 13007 | 9,257 |
| 84.173 | Special Education IDEA: Preschool Grant, Part B, Sec 619 (Age 3-4-5) | 13430 | 334,367 |
| 84.173A | Special Education IDEA: Preschool Staff Development, Part B, Sec. 619 | 13431 | 5,893 |
| 84.181 | Special Education IDEA: Early Intervention Grants, Part C | 23761 | 83,664 |

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2005

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass- Through Entity Identifying Number | Federal Expend- itures |
|---------------------------------------|--|--|---------------------------------------|
| 84.158 | Department of Rehabilitation: Workability II, Transitions Partnership | 10006 | \$ 216,407 |
| 84.048 | Vocational Programs: Voc. and Applied Tech. Prep, Title II, Sec. 203 (Carl Perkins Act) | 13920 | 250,644 |
| 84.278 | School-to-Work (School-to-Career) | 10009 | 383 |
| 84.196 | Homeless Children Education (Stewart McKinney) Grants | 03697 | 171,255 |
| 84.330 | Advanced Placement Test Fee | 13917 | 470,286 |
| 84.165 | Magnet Schools | 03094 | 211,214 |
| 84.215 | Character Education | 03063 | 97,911 |
| 84.334A | Other Federal: California State Gear Up Program | 10088 | 309,633 |
| 84.276 | Goals 2000: Academic Mentor Program/FF | 14026 | 118,391 |
| 93.778 | Department of Health Services: Medi-Cal Billing Option (DHS) | 10013 | 545,282 |
| 94.004 | CalServe - Learn and Serve America Service Grants | 13161 | 99,271 |
| 17.255 | Workforce Investment Act (SIA), Formerly JTPA | 03422 | 20,000 |
| 84.048 | Vocational Programs: Vocational and Applied Technology Prep, Title II, Sec. 203 (Carl Perkins Act) | 03582 | 24,083 |
| 84.002A | Adult Education: Adult Basic Education and ESL | 13973 | 115,560 |
| 84.002 | Adult Education: Family Literacy | 13977 | 164,266 |
| 84.002A | Adult Education: English Literacy and Civics Education | 14109 | 65,224 |
| 93.596 | Child Development, Federal Child Care, Center- Based | 03609 | 499,402 |
| 93.575 | Child Development: Quality Improvement - Playground Equipment | 03942 | 950 |
| 10.555 | Child Nutrition: School Programs (NSL Sec. 4) | 13391 | 5,591,179 |
| 10.553 | Child Nutrition: School Programs (School Breakfast Basic) | 13390 | 1,183,155 |
| 10.559 | Child Nutrition: Summer Food Service Program Operations | 13004 | 194,676 |
| | Total | | \$ 35,486,804 |

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

There were no audit adjustments proposed to any funds of the District.

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2005
(In Thousands)

| | (Budget) 2006 | 2005 | 2004 | 2003 |
|---|------------------|------------|------------|------------|
| <u>General Fund</u> | | | | |
| Revenues and other financing sources | \$ 253,324 | \$ 262,559 | \$ 246,334 | \$ 253,120 |
| Expenditures | 252,699 | 252,313 | 249,549 | 252,662 |
| Other uses and transfers out | 307 | 2,330 | 3,861 | 2,380 |
| Total outgo | 253,006 | 254,643 | 253,410 | 255,042 |
| Change in fund balance | \$ 318 | \$ 7,916 | \$ (7,076) | \$ (1,922) |
| Ending fund balance | \$ 26,636 | \$ 26,318 | \$ 18,402 | \$ 25,478 |
| Available reserves | \$ 11,400 | \$ 11,441 | \$ 9,765 | \$ 22,745 |
| Designated for economic uncertainties | \$ 5,521 | \$ 5,521 | \$ 5,400 | \$ 5,400 |
| Undesignated fund balance | \$ 5,879 | \$ 5,920 | \$ 4,365 | \$ 17,345 |
| Available reserves as percentages of total outgo | 4.52% | 4.49% | 3.85% | 8.92% |
| <u>All Funds</u> | | | | |
| Total long-term liabilities | \$ 411,840 | \$ 420,255 | \$ 356,378 | \$ 258,888 |
| Average daily attendance at P-2, excluding Adult and Charter School | 30,200 | 30,239 | 31,417 | 32,390 |

The General Fund fund balance has decreased by \$1,082,000 over the past three years. The fiscal year 2005-2006 budget projects an increase of \$318,000. For a district this size, the State of California recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating surplus during the 2005-2006 fiscal year.

Total long-term liabilities have increased by \$161,367,000 over the past two years, due primarily to the issuance of General Obligation Bonds (Note 6 to the financial statements).

Average daily attendance has decreased by 2,151 over the past two years. The District anticipates a decrease of 39 ADA for the 2005-2006 fiscal year.

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2005

| <u>Charter Schools Chartered by District</u> | <u>Included in District Financial Statements, or Separate Report</u> |
|---|---|
| Manzanita Charter School | Separate Report |
| Leadership High Charter School | Separate Report |

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Year. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. This schedule was prepared to comply with A-133 requirements.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2005-2006 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2005, the District did not adopt this program.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Board of Education
West Contra Costa Unified School District
Richmond, California

We have audited the compliance of West Contra Costa Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the State laws and regulations listed below for the year ended June 30, 2005. Compliance with the requirements of State laws and regulations is the responsibility of West Contra Costa Unified School District's management. Our responsibility is to express an opinion on West Contra Costa Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about West Contra Costa Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of West Contra Costa Unified School District's compliance with those requirements.

| <u>Description</u> | <u>Audit Guide Procedures</u> | <u>Procedures Performed</u> |
|---|-----------------------------------|---------------------------------|
| Attendance Reporting | 8 | Yes |
| Kindergarten Continuance | 3 | Yes |
| Independent Study | 22 | Yes |
| Continuation Education | 10 | Yes |
| Adult Education | 9 | Yes |
| Regional Occupational Center/Programs | 6 | Not Applicable |
| Instructional Time and Staff Development Reform Program | 7 | Yes |
| Instructional Time: | | |
| School Districts | 4 | Yes |
| County Offices of Education | 3 | Not Applicable |
| Community Day Schools | 9 | No (See Below) |
| Class Size Reduction Program: | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Not Applicable |
| Districts with only one school serving K-3 | 4 | Not Applicable |
| Instructional Materials: | | |
| General requirements | 12 | Yes |
| Grades K-8 | 1 | Yes |
| Grades 9-12 | 1 | Yes |
| Ratio of Administrative Employees to Teachers | 1 | Yes |
| Early Retirement Incentive Program | 4 | Not Applicable |
| Gann Limit Calculation | 1 | Yes |

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

(Continued)

| <u>Description</u> | <u>Audit Guide Procedures</u> | <u>Procedures Performed</u> |
|--|-----------------------------------|---------------------------------|
| School Construction Funds: | | |
| School District Bonds | 3 | Yes |
| State School Facilities Funds | 1 | Yes |
| Alternative Pension Plans | 2 | Not Applicable |
| Proposition 20 Lottery Funds | 2 | Yes |
| State Lottery Funds | 2 | Yes |
| California School Age Families Education Program | 3 | Not Applicable |
| School Accountability Report Card | 3 | No (See Below) |

We did not perform testing for Community Day Schools because the ADA reported is below the level required for testing.

The 2004-2005 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2005. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2004-2005 Audit Guide relating to the comparison of tested data from the 2004-2005 fiscal year to the 2004-2005 School Accountability Report Cards.

In our opinion, West Contra Costa Unified School District complied with the State laws and regulations referred to above for the year ended June 30, 2005, except as described in the Schedule of Audit Findings and Questioned Costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that West Contra Costa Unified School District had not complied with the State laws and regulations.

This report is intended solely for the information of the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith LLP

Sacramento, California
October 13, 2005

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

Honorable Board of Education
West Contra Costa Unified School District
Richmond, California

We have audited the financial statements of West Contra Costa Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Contra Costa Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Sacramento, California
October 13, 2005

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

Honorable Board of Education
West Contra Costa Unified School District
Richmond, California

Compliance

We have audited the compliance of West Contra Costa Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. West Contra Costa Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major Federal programs is the responsibility of West Contra Costa Unified School District's management. Our responsibility is to express an opinion on West Contra Costa Unified School District's compliance based on our audit.

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

In our opinion, West Contra Costa Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of West Contra Costa Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered West Contra Costa Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Perry - Smith LLP

Sacramento, California
October 13, 2005

FINDINGS AND RECOMMENDATIONS

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified not considered
to be material weakness(es)?

_____ Yes X None reported

Noncompliance material to financial statements
noted?

_____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified not considered
to be material weakness(es)?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.555, 10.553, 10.559
84.010
84.367

Child Nutrition Cluster
NCLB: Title I Cluster
NCLB: Title II, Part A, Improving Teacher Quality
Local Grants

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 1,064,604

Auditee qualified as low-risk auditee?

_____ Yes X No

STATE AWARDS

Internal control over State programs:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified not considered
to be material weaknesses?

 X Yes _____ None reported

Type of auditor's report issued on compliance for
State programs:

Qualified

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

1. ASSOCIATED STUDENT BODY PROCEDURES (30000)

Criteria

California Department of Education's "Accounting Procedures for Student Body Organizations".

Condition

For several of the schools tested, the following opportunities exist for enhancing internal controls in Associated Student Body:

- One individual is responsible for cash receipts, deposits, and bank reconciliations.
- Balance Sheets and Profit and Loss Statements are not prepared and distributed to student clubs.

Effect

Associated Student Body assets could potentially be misappropriated.

Cause

Associated Student Body personnel are not following appropriate internal control procedures.

Fiscal Impact

There is no determinable fiscal impact, however the potential exists for misappropriation of assets.

Recommendation

- An individual independent of the cash receipts process should reconcile bank deposit slips to the receipts issued to student club representatives.
- Balance Sheets and Profit and Loss Statements should be prepared monthly for each student club.

Corrective Action Plan

The District concurs with the finding. The Internal Auditor will work with each school site to implement appropriate internal control practices. The school sites are required to submit financial statements and bank reconciliations to the Internal Auditor on a monthly basis.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. ASSOCIATED STUDENT BODY PROCEDURES (30000)

Criteria

California Department of Education's "Accounting Procedures for Student Body Organizations".

Condition

We noted the following exceptions during testing of the student body cash receipts and cash disbursements at one elementary school:

- Accounts are not being separated by clubs/groups, there are currently two accounts one for the library and a general account.
- No disbursements forms are being used to show approval of expenditures.
- Expenditures that are not relating to the library fund are charged to the general fund.
- There is no notation indicating receipt of materials/goods received.

Effect

None noted.

Cause

School personnel are not aware of all the District's student body policies.

Fiscal Impact

Not applicable.

Recommendation

The District should implement and enforce internal controls, including:

- Separated accounts by clubs/groups.
- Use disbursement forms to show approval of expenditures.
- Apply expenditures to proper clubs/group account.
- Note/mark on invoice when materials/goods are received.

Corrective Action Plan

The District concurs with the finding. The Internal Auditor will meet with elementary school personnel to ensure that they are aware of the District's student body policies and procedures.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

3. CASH (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

Two of the District's cash accounts with balances at June 30, 2005 of \$88,520 in the General Fund were not reconciled and reviewed on a monthly basis.

Effect

There is a potential for misappropriation of assets.

Cause

District personnel were not following appropriate reconciliation and review procedures.

Fiscal Impact

Not applicable.

Recommendation

All bank accounts should be reconciled to the book balance and be reviewed in a timely manner.

Corrective Action Plan

The District concurs with the finding. The District will provide training to staff to ensure that the cash accounts are properly reconciled and the Internal Auditor will review the cash accounts on a monthly basis.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

4. ATTENDANCE ACCOUNTING (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance report to the State.

Condition

- At Richmond High School four students were improperly included for a total misstatement of 4 days.
- At Kensington Elementary School three students were improperly included for a total misstatement of 5 days.
- At Juan Crespi Middle School one student was improperly included for a total of 1 day.
- At Bayview Elementary School two students were improperly included for a total misstatement of 2 days.
- At Stewart Elementary School one student was improperly included for a total misstatement of 1 day.
- At Harding Elementary School three students were improperly included for a total misstatement of 4 days.
- At Washington Elementary School three students were improperly included for a total misstatement of 4 days.
- At Downer Elementary School seven students were improperly included for a total misstatement of 8 days.

Effect

The effect of this finding is an extrapolated overstatement of 53.96 ADA.

Cause

Absence notes/logs were not reconciled to the attendance recorded in the computerized attendance system.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

4. ATTENDANCE ACCOUNTING (10000) (Continued)

Fiscal Impact

Based on the fact that the District is in declining enrollment and prior year ADA is used for the revenue limit calculation, there is no current year fiscal impact.

Recommendation

The District should revise and resubmit the Period Two and Annual Reports of Attendance, reflecting the removal of the disallowed ADA. In addition, the District should implement policies and procedures to ensure that attendance data is reconciled to supporting documents and properly reflected in the Reports of Attendance.

Corrective Action Plan

The District concurs with the finding. The District will provide training for school site personnel to ensure that absence notes/logs are reconciled to the attendance recorded in our computerized attendance system. The District will submit revised Period Two and Annual Reports of Attendance.

5. KINDERGARTEN CONTINUATION (10000)

Criteria

California Department of Education Code section 46300 (g) and 48011 states that all kindergartners retained must have on file a valid and properly completed agreement to retain form.

Condition

The retention form for one student at Washington Elementary School did not have the approving official's signature on the form.

Effect

Overstatement of .95 ADA.

Cause

The missing signature appears to be due to an oversight.

Fiscal Impact

The overstatement amounts to .95 ADA, representing approximately \$4,594 in revenue limit funding.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2005

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

5. KINDERGARTEN CONTINUATION (10000) (Continued)

Recommendation

The District should perform a review of the continuation forms, to ensure all of the required elements are included in form and content, before preparing Period Two and Annual Reports of Attendance. In addition, the District should revise and re-submit the Period Two Report of Attendance, reflecting the removal of the disallowed ADA.

Corrective Action Plan

The District concurs with the finding. The Internal Auditor will perform an annual audit of the continuation forms to ensure that the forms are compliant with the Education Code. The District will submit revised Period Two and Annual Reports of Attendance.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2005

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>District Explanation If Not Implemented</u> |
|---|------------------------|--|
| 2004-1 | | |
| Several transactions were processed before the appropriate authorization was documented. It was recommended that the District require that all disbursements be approved prior to processing. | Implemented. | |
| 2004-2 | | |
| Areas for improving the internal control procedures over Student Body were noted at several of the school sites. It was recommended that the District ensure that all Student Body sites are complying with the procedures as outlined in the "Accounting for Student Organizations" manual. | Partially implemented. | See current year findings #1 and #2. |
| 2004-3 | | |
| Procedures were not followed to ensure that suppliers who were awarded contracts greater than \$100,000 were not suspended or debarred from participating in Federal contracts. It was recommended that the District formalize written procurement procedures. | Implemented. | |
| 2004-4 | | |
| The District did not comply with the local match requirement for one of the Digital High School Education Technology Grant Programs. It was recommended that the District ensure that all future matching funds are contributed for this program. | Implemented. | |
| 2004-5 | | |
| Discrepancies were noted in the contemporaneous records supporting the staff development buy-back claim for 13 of the District's schools. It was recommended that the District have contemporaneous records to support the buy-back days. Additionally, the claimed hours should be reconciled back to the supporting documentation to ensure that the claim is correctly summarized. | Implemented. | |

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APPENDIX C

FORM OF 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 by the Board of Supervisors of Contra Costa County (the "Board") in the name of the District of \$70,000,000 principal amount of West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2005, Series A (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on March 15, 2006, and a resolution adopted by the Board on April 4, 2006 (collectively, the "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 Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the 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.

"*Beneficial Owner*" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"*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.

"*Holder*" shall mean the person in whose name any Bond shall be registered.

"*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. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"*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 the 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 the 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, 2007, with the report for the 2005-2006 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be

submitted as a single document or as separate documents comprising a package, and may cross-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 they are 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) 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). 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 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 the 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 District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California. 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 included in the audited financial statement of the District, the Annual Report shall also include the following:

(i) total average daily attendance in District schools for the preceding fiscal year;

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

(iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

(iv) 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;

(v) the District's total revenue limit for the preceding fiscal year;

(vi) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy, and

(vii) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

(c) 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.

(d) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material 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.

The District is solely responsible for the content and format of the Annual Report.

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:

- (i) principal and interest payment delinquencies.
- (ii) non-payment related defaults.
- (iii) modifications to rights of Holders.
- (iv) optional, contingent or unscheduled bond calls.
- (v) defeasances.
- (vi) rating changes.
- (vii) adverse tax opinions or events affecting the tax-exempt status of the Bonds.
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties.
- (x) substitution of the credit or liquidity providers or their failure to perform.
- (xi) release, substitution or sale of property securing repayment of the Bonds.

(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 laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board, and with the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) 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 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. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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 the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the

original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the 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.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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 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; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Contra Costa or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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. 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.

SECTION 12. Alternative Filing Location. Any filing under this Disclosure Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC, dated September 4, 2004.

Date: [Closing Date]

WEST CONTRA COSTA UNIFIED SCHOOL
DISTRICT

By _____
Associate Superintendent
Business Services

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH STATE REPOSITORY OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: West Contra Costa Unified School District

Name of Issue: West Contra Costa Unified School District (Contra Costa County, California)
General Obligation Bonds, Election of 2005, Series A (the "Bonds")

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the West Contra Costa Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Issuance. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

WEST CONTRA COSTA UNIFIED SCHOOL
DISTRICT

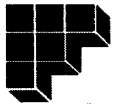
By _____
Title _____

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security", for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment on the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day, otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent" for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Counter signature]

FINANCIAL SECURITY ASSURANCE INC.

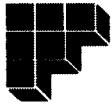
By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE®**

**ENDORSEMENT NO. 1 TO
MUNICIPAL BOND
INSURANCE POLICY
(California Insurance
Guaranty Association)**

ISSUER:

BONDS:

Policy No. -N

Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered 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.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: _____

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 560NY (CA 1/91)

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