

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

Fitch: AAA

Standard & Poor's: AAA

(See "INSURANCE" and "MISCELLANEOUS — Ratings" herein).

In the opinion of Quint & Thimmig LLP, San Francisco, California, and HTB Law Group, Oakland, California, Co-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 Co-Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS — Tax Matters" herein.

\$40,000,000
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds
Election of 2000, Series B

**Dated: February 1, 2002****Due: August 1, as shown below**

The Bonds represent the general obligation of the West Contra Costa Unified School District (the "District") and Contra Costa County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS — Security and Sources of Payment" and "THE DISTRICT". Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2003. The Bonds due on or before August 1, 2009, are not subject to optional redemption; the Bonds due on and after August 1, 2010, are subject to optional and mandatory sinking fund redemption as described herein.

Payment of principal of and interest on the Bonds will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein.



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

A. LOPEZ & ASSOCIATES LLC

Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield	Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield
2004	\$ 690,000	6.000%	2.000%	2015	\$1,155,000	5.000%	4.450%
2005	725,000	6.000	2.500	2016	1,210,000	4.500	4.550
2006	760,000	6.000	2.800	2017	1,275,000	4.625	4.640
2007	800,000	6.000	3.100	2018	1,335,000	4.750	4.830
2008	840,000	5.250	3.300	2019	1,405,000	4.750	4.900
2009	885,000	4.000	3.500	2020	1,475,000	5.000	4.950
2010	925,000	4.000	3.750	2021	1,555,000	5.000	4.980
2011	965,000	4.000	3.900	2022	1,635,000	5.000	100
2012	1,005,000	4.000	100	2023	1,720,000	5.000	5.020
2013	1,055,000	4.125	4.150	2024	1,810,000	5.000	5.030
2014	1,105,000	4.250	4.350	2025	1,905,000	5.000	5.040

\$4,125,000 Term Bond due August 1, 2027 reoffered at 5.050%.

\$9,640,000 Term Bond due August 1, 2031 reoffered at 5.080%.

(Plus accrued interest from February 1, 2002)

The Bonds were to be sold pursuant to a public sale on February 12, 2002. 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, and HTB Law Group, Oakland, California, Co-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 February 26, 2002.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Official Statement dated: February 12, 2002

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

District Board of Education

Karen Leong Fenton
President

Patricia A. Player
Clerk

George A. Harris III
Member

Glen Price
Member

Charles T. Ramsey
Member

District Administration

Dr. Gloria L. Johnson
Superintendent

Vince Kilmartin
*Associate Superintendent,
Business and Operations Division*

PROFESSIONAL SERVICES

Financial Advisor

A. Lopez & Associates LLC
Oakland, California

Co-Bond Counsel

Quint & Thimmig LLP
San Francisco, California

HTB Law Group
Oakland, California

Paying Agent

U.S. Bank, N.A.
Los Angeles, California

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\$40,000,000
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds
Election of 2000, Series B

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 \$40,000,000 West Contra Costa Unified School District, (Contra Costa County, California) General Obligation Bonds, Election of 2000, Series B (the "Bonds"), as described more fully herein.

The District

The West Contra Costa Unified School District (the "District"), is located in Contra Costa County (the "County"), California (the "State"), 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 estimated average daily attendance for fiscal year 2001/02 is 31,900 and its 2001/02 general fund budget is approximately \$239 million. The District has a 2001/02 assessed valuation of approximately \$15.3 billion. See "THE DISTRICT" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the California Government Code (the "Government Code") and pursuant to a resolution adopted by the Board of Education of the District.

The District received authorization to issue \$150,000,000 of bonds at an election held on November 7, 2000, by an affirmative vote of more than two-thirds of the votes cast (the "2000 Authorization.") The District has previously issued \$15 million General Obligation Bonds, Election of 2000, Series A, dated May 1, 2001. The Bonds represent the second series under the 2000 Authorization. See "THE BONDS — Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Purpose of the Bonds

The proceeds of the Bonds may be used to improve the learning climate for children by upgrading educational facilities through such projects as reconstructing, modernizing, renovating, and repairing bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs and fire safety systems,

improving technology, making seismic upgrades, and replacing deteriorating portable classrooms and buildings.

Description of the Bonds

Denominations. The Bonds will be issued as fully-registered Bonds, without coupons, in denominations of \$5,000 principal amount each or any integral multiple thereof. See **"THE BONDS — General Provisions"** herein.

Registration, Transfers and Exchanges. The Bonds, 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. See **"THE BONDS — Book-Entry System"** and **"— Discontinuance of DTC Services"** herein.

Payments. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2003. 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 and after August 1, 2010, may be redeemed prior to maturity at the option of the District beginning on August 1, 2009. See **"THE BONDS — Redemption"** herein.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, and HTB Law Group, Oakland, California, Co-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 to holders of the Bonds, if any, are not addressed in the opinion. See **"LEGAL MATTERS — Tax Matters"** herein.

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, and Harrison, HTB Law Group, Oakland, California, are acting as Co-Bond Counsel to the District with respect to the Bonds. U.S. Bank, N.A., Los Angeles, 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; Quint & Thimmig LLP; and HTB Law Group will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Offering and Delivery of the Bonds

The Bonds will be offered when, as and if issued by the District and received by the successful bidder at competitive sale, subject to the approval of their legality by Co-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 February 26, 2002.

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 and to provide notices of the occurrence of certain enumerated events, if material. See **"Miscellaneous — Continuing Disclosure"** and **"APPENDIX C — Form of Continuing Disclosure Certificate"** herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the District through the Associate Superintendent, Business and Operations Division, West Contra Costa Unified School District, 1108 Bissell Avenue, Richmond, CA 94801-3135, telephone: (510) 620-2206. The District may impose a charge for copying, mailing and handling.

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 entireties by reference to each such document, statute, and constitutional provision.

The information set forth herein has been obtained either from the books and records of the District or from sources which are believed to be reliable and is in a form deemed final as of its date by the District for the purposes of Rule 15c2-12 of the Securities and Exchange Commission (except for the omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). 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. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. 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 PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE 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.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and pursuant to resolution No. 48-0102 adopted by the Board of Education of the District on January 23, 2002 (the "Resolution").

The District received authorization to issue \$150,000,000 of bonds at an election held on November 7, 2000, by an affirmative vote of more than two-thirds of the votes cast under the 2000 Authorization. The District has previously issued \$15 million General Obligation Bonds, Election of 2000, Series A, dated May 1, 2001. The Bonds represent the second series under the 2000 Authorization.

Purpose of the Bonds

The proceeds of the Bonds may be used to improve the learning climate for children by upgrading educational facilities through such projects as reconstructing, modernizing, renovating, and repairing bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs and fire safety systems, improving technology, making seismic upgrades, and replacing deteriorating portable classrooms and buildings.

Estimated Sources and Uses of Funds

The proceeds of the Bonds and other sources are expected to be applied as follows:

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

Sources of Funds	
Principal Amount of Bonds	\$40,000,000.00
Bid Premium	573.35
Accrued Interest	<u>136,031.25</u>
Total Sources	\$40,136,604.60
Uses	
Deposit to Building Fund	\$39,825,000.00
Deposit to Costs of Issuance Fund ⁽¹⁾	175,000.00
Deposit to Interest and Sinking Fund ⁽²⁾	<u>136,604.60</u>
Total Uses	\$40,136,604.60

⁽¹⁾ Includes estimated fees for rating agencies, Co-Bond Counsel, financial advisor, printing and distribution of the Official Statement, and miscellaneous costs of issuing the Bonds.

⁽²⁾ Represents accrued interest.

Investment of Bond Proceeds

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the West Contra Costa Unified School District, General Obligation Bonds, Election of 2000, Series B, Building Fund (the "Building Fund") and shall be accounted for separately from all other District and County funds. Such proceeds shall be applied solely for purposes described in the Authorization. The accrued interest and any premium received from the sale of the Bonds shall be paid to the County to the credit of the West Contra Costa Unified School District, General Obligation Bonds, Election of 2000, Series B, Interest and Sinking Fund (the "Interest and Sinking Fund"). Such proceeds shall be applied solely for the payment of interest on and principal of the Bonds. A portion of the proceeds of the Bonds shall be deposited in the "West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2000, Series B, Costs of Issuance Fund" (the

"Costs of Issuance Fund"), which shall be held and maintained by the Paying Agent. Such proceeds shall be applied solely for the payment of the costs of issuance of the Bonds.

Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund. Interest earned on the investment of monies in the Interest and Sinking Fund shall be retained in the Interest and Sinking Fund and used to pay the interest on and principal of the Bonds when due. Interest and earnings derived from the investment of amounts on deposit in the Costs of Issuance Fund shall be retained therein until the Costs of Issuance Fund is closed. On November 1, 2002, all amounts remaining on deposit in the Costs of Issuance Fund will be withdrawn therefrom by the Paying Agent and transferred to the Treasurer-Tax Collector of Contra Costa County for deposit in the Interest and Sinking Fund and the Costs of Issuance Fund will be closed.

Monies in the Building Fund and the Interest and Sinking Fund shall be invested in any one or more investments generally permitted to school districts under the laws of the State including those authorized under Section 53600 et seq. of the Government Code and any other investments specifically authorized in the Resolution. The Resolution expressly permits the District to direct investment of the Building Fund in the State Treasurer's Local Agency Investment Fund (LAIF) and in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Bonds.

Security and Sources of Payment

The Bonds represent the general obligation of the District and the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the interest on and principal of the Bonds, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates.) Such taxes, when collected, will be placed in the Interest and Sinking Fund of the District, which is maintained by the County and which is required to be applied for the payment of interest on and principal of the Bonds when due.

The annual tax rates will be based on the assessed value of taxable property in the District. The reduction of assessed values of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District, reassessment or financial difficulty or bankruptcy by one or more major taxpayers, or the complete or partial destruction of taxable property due to earthquake, flood or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rates.

For further information regarding the District's tax base, tax rates, overlapping debt and other matters concerning taxation, see "THE DISTRICT" herein.

Description of the Bonds

The Bonds in the aggregate principal amount of \$40,000,000 will be dated February 1, 2002, and will bear interest payable semiannually each February 1 and August 1, commencing February 1, 2003. The Bonds will mature in each of the years and in the principal amounts shown on the cover page hereof. The semiannual debt service obligation for the Bonds, assuming no optional redemptions are made, is as follows:

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
ELECTION OF 2000, SERIES B
Debt Service**

Payment Date	Principal	Interest	Semiannual Total
February 1, 2003	--	\$1,958,850.00	\$1,958,850.00
August 1, 2003	--	979,425.00	979,425.00
February 1, 2004	--	979,425.00	979,425.00
August 1, 2004	\$690,000	979,425.00	1,669,425.00
February 1, 2005	--	958,725.00	958,725.00
August 1, 2005	725,000	958,725.00	1,683,725.00
February 1, 2006	--	936,975.00	936,975.00
August 1, 2006	760,000	936,975.00	1,696,975.00
February 1, 2007	--	914,175.00	914,175.00
August 1, 2007	800,000	914,175.00	1,714,175.00
February 1, 2008	--	890,175.00	890,175.00
August 1, 2008	840,000	890,175.00	1,730,175.00
February 1, 2009	--	868,125.00	868,125.00
August 1, 2009	885,000	868,125.00	1,753,125.00
February 1, 2010	--	850,425.00	850,425.00
August 1, 2010	925,000	850,425.00	1,775,425.00
February 1, 2011	--	831,925.00	831,925.00
August 1, 2011	965,000	831,925.00	1,796,925.00
February 1, 2012	--	812,625.00	812,625.00
August 1, 2012	1,005,000	812,625.00	1,817,625.00
February 1, 2013	--	792,525.00	792,525.00
August 1, 2013	1,055,000	792,525.00	1,847,525.00
February 1, 2014	--	770,765.63	770,765.63
August 1, 2014	1,105,000	770,765.63	1,875,765.63
February 1, 2015	--	747,284.38	747,284.38
August 1, 2015	1,155,000	747,284.38	1,902,284.38
February 1, 2016	--	718,409.38	718,409.38
August 1, 2016	1,210,000	718,409.38	1,928,409.38
February 1, 2017	--	691,184.38	691,184.38
August 1, 2017	1,275,000	691,184.38	1,966,184.38
February 1, 2018	--	661,700.00	661,700.00
August 1, 2018	1,335,000	661,700.00	1,996,700.00
February 1, 2019	--	629,993.75	629,993.75
August 1, 2019	1,405,000	629,993.75	2,034,993.75
February 1, 2020	--	596,625.00	596,625.00
August 1, 2020	1,475,000	596,625.00	2,071,625.00
February 1, 2021	--	559,750.00	559,750.00
August 1, 2021	1,555,000	559,750.00	2,114,750.00
February 1, 2022	--	520,875.00	520,875.00
August 1, 2022	1,635,000	520,875.00	2,155,875.00
February 1, 2023	--	480,000.00	480,000.00
August 1, 2023	1,720,000	480,000.00	2,200,000.00
February 1, 2024	--	437,000.00	437,000.00
August 1, 2024	1,810,000	437,000.00	2,247,000.00
February 1, 2025	--	391,750.00	391,750.00
August 1, 2025	1,905,000	391,750.00	2,296,750.00
February 1, 2026	--	344,125.00	344,125.00
August 1, 2026	2,010,000	344,125.00	2,354,125.00
February 1, 2027	--	293,875.00	293,875.00
August 1, 2027	2,115,000	293,875.00	2,408,875.00
February 1, 2028	--	241,000.00	241,000.00
August 1, 2028	2,225,000	241,000.00	2,466,000.00
February 1, 2029	--	185,375.00	185,375.00
August 1, 2029	2,345,000	185,375.00	2,530,375.00
February 1, 2030	--	126,750.00	126,750.00
August 1, 2030	2,470,000	126,750.00	2,596,750.00
February 1, 2031	--	65,000.00	65,000.00
August 1, 2031	2,600,000	65,000.00	2,665,000.00
TOTAL	\$40,000,000	\$37,531,400.04	\$77,531,400.04

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2009, are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 2010, 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, 2009, 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, 2009, through July 31, 2010	101%
August 1, 2010 and thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2027 are subject to mandatory sinking fund redemption in part by lot on August 1 of each year beginning August 1, 2026, 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>	
2026	\$2,010,000
2027 (Maturity)	2,115,000

The Bonds maturing on August 1, 2031 are subject to mandatory sinking fund redemption in part by lot on August 1 of each year beginning August 1, 2028, 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>	
2028	\$2,225,000
2029	2,345,000
2030	2,470,000
2031 (Maturity)	2,600,000

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of five thousand dollars (\$5,000) or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by five thousand dollars (\$5,000).

Notice of Redemption. The Paying Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, notice of redemption shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories at least two (2) days prior to such mailing to the Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the Principal Office of the

Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the registered owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the County, the Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside with the County for such purpose, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Treasurer-Tax Collector so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Treasurer-Tax Collector for the redemption of Bonds shall be held in trust for the account of the registered owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity shall be canceled upon surrender thereof and be delivered to or upon the order of the County and the District. All or any portion of a Bond purchased by the County or the District shall be canceled by the Paying Agent.

Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of this Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Treasurer-Tax Collector irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, all as provided in this Resolution, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Form, Denomination and Payment

The Bonds will be issued as fully-registered current interest bonds, without coupons, in denominations of \$5,000 principal amount each or any integral multiple thereof, provided that no Bond shall have principal maturing on more than one principal maturity date.

The Bonds, when delivered, will be registered in the name of Cede & Co., as nominee of DTC. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, principal and interest payments on the Bonds will be made directly to DTC, disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described hereinafter. See "**THE BONDS — Book-Entry System**" and "**— Discontinuance of DTC Services**" below.

The Bonds shall bear interest at the rates shown on the cover hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve (12) 30-day months. Each Bond shall bear interest from the interest payment date next preceding the date of authentication thereof unless it is authenticated as of the day during the period from the 15th day of the month next preceding any interest payment date (the "Record Date") to the interest payment date, in which event it shall bear interest from such interest payment date, or unless it is authenticated on or before January 15, 2003, in which event it shall bear interest from February 1, 2002.

Book-Entry System

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, interest or other payments on the Bonds to

DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based on information provided by DTC. Accordingly, the District takes no responsibility for the accuracy thereof.

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

The DTC Participants will receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Bond acquired. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive securities representing their ownership interest in the Bonds, except as specifically provided in the Resolution.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond Owners or registered Owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, Bonds are required to be delivered as described in the Resolution. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the registered owner of the Bonds.

The District may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. In such event, Bonds will be delivered as described in the Resolution.

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

Principal of, redemption premium, if any, and interest on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Paying Agent or the District, subject to any statutory and regulatory requirements as may be in effect from time to time.

The District cannot and does not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute payments of principal of, interest on or any premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or any prepayment or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will

serve and act in the manner described in this Official Statement. The District is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds or (b) the District determines to remove DTC from its functions as a depository, DTC's role as securities depository for the Bonds and use of the book-entry system will be discontinued. If the District fails to select a qualified securities depository to replace DTC, the District will cause the Paying Agency to execute and deliver new Bonds in fully registered form in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested by the Beneficial Owners thereof. Upon such registration, such persons in whose names the Bonds are registered will become the registered owners of the Bonds for all purposes.

The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

All Bonds are transferable by the Owner thereof, in person or by an attorney duly authorized in writing, at the office of the Paying Agent on the registration books maintained by the Paying Agent pursuant to the provisions of the Resolution, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. The Paying Agent may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not the principal of or interest on such Bond is overdue, and the Paying Agent will not be affected by any knowledge or notice to the contrary; and payment of the principal of or interest on such Bond will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge the liability evidenced by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds will be surrendered for transfer, the Paying Agent will execute and deliver a new Bond or Bonds evidencing principal in the same aggregate amount and having the same stated maturity date. The Paying Agent will require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be exchanged at the office of the Paying Agent for Bonds evidencing principal in a like aggregate amount having the same stated principal maturity date in such Authorized Denominations as the Owner may request. The Paying Agent will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent will not be required to transfer or exchange any Bond during the period commencing five days before the date of selection of the Bonds for redemption and ending on the date of mailing notice or such prepayment, nor will the Paying Agent be required to transfer or exchange any Bond or portion thereof selected for prepayment from and after the date of mailing the notice of redemption thereof.

BOND INSURANCE

The following information has been furnished by the Financial Guaranty Insurance Company for use in this Official Statement. The District takes no responsibility for the accuracy or completeness thereof.

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the

Bonds (the "Issuer"). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond 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.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the District for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 2001, the total capital and surplus of Financial Guaranty was approximately \$1.033 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

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

Article XIII A of the California Constitution

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

Legislation Implementing Article XIII A

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

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

Article XIII B of the California Constitution

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

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

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

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved an initiative constitutional amendment entitled "Right to Vote on Taxes" (Proposition 218) that added Articles XIIIC and XIIID to the State Constitution. Proposition 218 contains a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC 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 XIIIC also provides that no tax may be assessed upon any parcel of property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

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

Legislation adopted in 1997 provides that Article XIIIC 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 XIIID deals with assessments and property-related fees and charges, excluding developer mitigation fees, and does not affect the District or its Bonds.

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

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

Proposition 62

On September 28, 1995, the California Supreme Court affirmed the lower court decision in *Santa Clara County Local Transportation Authority v. Guardino* (the "Santa Clara Case"). The action held invalid a half-cent sales tax to be levied by the Santa Clara County Local Transportation Authority

because it was approved by a majority but not two-thirds of the voters in Santa Clara County voting on the tax. The California Supreme Court decided the tax was invalid under Proposition 62, a statutory initiative adopted at the November 4, 1986 election that (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 and (g) requires a reduction of *ad valorem* property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

In deciding the *Santa Clara Case* on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan* ("*Woodlake*"), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. The California Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while referendum refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without any voter approval in reliance on *Woodlake*. The Court noted as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, that held unconstitutional the section of Proposition 62 requiring voter approval of taxes imposed during the "window period" of August 1, 1985 until November 5, 1986. Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is akin to legislation adopted by the State Legislature.

The District has not enacted any tax that would be subject to the provisions of Proposition 62.

Proposition 98

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

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

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period. In the fall of 1989, the Legislature and the Governor utilized this provision to avoid having 40.3 % of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 schools.

Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 schools. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION."

Proposition 111

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

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

- (a) Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- (b) Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- (c) Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay properties" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above their current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which counts on raising over \$15 billion in additional taxes over the next 10 years to fund transportation programs.
- (d) Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- (e) School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capital personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 227

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

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

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

Future Initiatives

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

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

Basic Aid

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

The District is not a Basic Aid District.

Revenue Sources

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

Revenue Limit Sources. Since Fiscal Year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, the revenue limits are calculated for each school district by multiplying (1) the average daily attendance ("A.D.A.") for such district by (2) a base revenue limit per unit of A.D.A.. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to allow for cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limits is accomplished by a combination of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments amount to the difference between the District's revenue limits and their local property tax revenues. See **"State Funding of Education"** under this caption for additional information.

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

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

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

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

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the

revenue limit, which is a combination of State funds and local property taxes (see "**GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—State Funding of Education and Enrollment**" herein). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs. Revenues received by the District from all State sources accounted for about 62 percent of total general fund revenues in 2000-01 (audited) and will account for about 63 percent of total general fund revenues in 2001-02 (estimated).

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Financial Advisor, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites has not been reviewed by the District and is not incorporated herein by reference.

(i) The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

(ii) The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The

"Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

(iii) The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

(iv) The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products".

California's Electricity Supplies. The State is currently experiencing adverse conditions with regard to the cost of electricity and natural gas throughout most of the State. The situation has resulted in the filing of bankruptcy by Pacific Gas & Electric, the primary power supplier for northern California, financial difficulty for Southern California Edison, a major power supplier for southern California, and increased electricity billings for most users of electricity in California. The State has purchased electricity using available moneys and the financial position of the State has been adversely affected by the electricity expenditures and the credit ratings of the State have been lowered. The short and long-range impact of these developments are unknown, but the cost and availability of electricity has the potential to significantly affect economic development throughout the State. See "**California Economy**" below.

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE UNDERWRITER, THE FINANCIAL ADVISOR OR THE OWNERS OF THE BONDS TO PROVIDE STATE BUDGET INFORMATION TO THE DISTRICT OR THE OWNERS OF THE BONDS. ALTHOUGH IT BELIEVES THE STATE SOURCES OF INFORMATION LISTED ABOVE ARE RELIABLE, THE DISTRICT ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH HEREIN OR INCORPORATED BY REFERENCE HEREIN.

California Economy

Like all California school districts, the District receives a significant portion of its funding from appropriations by the State (See "**State Funding of Education and Enrollment**" in this section.) As a result, decreases in the revenues received by the State could affect appropriations made by the State to the District and other school districts within California. A deterioration of California's economy could negatively affect the State's receipt of taxes and other revenues and, possibly, appropriations by the State to the District and other California school districts.

State Lottery

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

Ad Valorem Property Taxation

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

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

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

Assessed Valuation

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

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

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

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

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

Tax Levies, Collections and Delinquencies

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

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

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

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

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

Budget Process

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

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

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

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

that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent of schools may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

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

County Investment Pool

In accordance with Education Code Section 41001, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer serves as ex officio treasurer for those school districts located within the county. Each county treasurer has the authority to implement and oversee the investment of school district funds held in the county treasury. Generally, the county treasurer pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

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

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

Accounting Practices

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

Availability of Documents

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

THE DISTRICT

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

General Information

The District, unified in November, 1964, is located approximately 15 miles northeast of San Francisco, California and consists of approximately 110 square miles in western Contra Costa County. It provides educational services to the residents of the cities of El Cerrito, Hercules, Pinole, Richmond and San Pablo, the unincorporated communities of El Sobrante and Kensington and certain other unincorporated areas in the County.

The District maintains 40 elementary schools, 5 middle/junior high schools, 1 middle/high school, 5 comprehensive high schools, 1 alternative high school, 6 continuation high schools, 1 specialized school serving independent study students, 1 adult education center, 2 special education sites and 9 state-funded preschools. The pupil-teacher ratio in the District is 28:1.

Average Daily Attendance and Revenue Limit

The following table sets forth the average daily attendance based on the Second Period Report of Attendance for the past five years and an estimate for 2001/02:

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

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

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

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

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

Source: The District.

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

State Re-audit of District's ADA. The District is undergoing a re-audit of its ADA for the 1996/97 fiscal year as a result of the State's efforts to audit ADA statewide. The potential impact based on the State's preliminary adjustment of ADA is approximately \$2.3 million for 1996/97. This adjustment will affect all subsequent years for a total potential impact of approximately \$14 million for the past six years. A panel consisting of one representative from each the State Department of Education, the State Department of Finance and the Fiscal Management Crisis Assistance Team will make the final

determination on any potential impact. Though the State has approved a payback period of eight years, the District has established a reserve for this potential liability that contains \$3 million.

The \$3 million appropriation to continue the statewide audit of school district ADA was not included in the Governor's preliminary 2002/03 budget. The District cannot predict at this time what the ultimate impact of its ADA audit will be.

Appropriations Limit

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

Lottery Income

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

Labor Relations

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

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

⁽¹⁾ Includes substitutes.
⁽²⁾ Contracts remain in effect while the District negotiates new contracts and all contracts are subject to annual reopeners.

Source: The District.

Retirement Programs

The District participates in the State Teachers Retirement System ("STRS"). This plan covers all full-time certificated employees. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. The District's actual contribution to STRS for fiscal year 2000/01 was \$8,474,761 and in fiscal year 2001/02 is expected to be \$9,007,399.

The District also participates in the State Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of covered service in PERS. The District's actual contribution to PERS for fiscal year 2000/01 was \$0 and is projected to be \$0 for 2001/02. Due to robust investment income, the PERS Board has voted to set employee contribution at 0% for both years.

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

Assessed Valuation

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>
1997/98	\$11,323,304,579	\$30,775,028	\$507,359,356	\$11,861,438,963
1998/99	11,559,015,972	38,285,203	573,242,173	12,170,543,348
1999/00	12,166,311,974	38,694,311	605,325,851	12,810,332,136
2000/01	12,891,483,315	38,578,988	803,452,252	13,733,514,455
2001/02	14,425,070,001	50,470,907	819,530,920	15,295,071,828

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies			
<u>Fiscal Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amount Delinquent as of June 30</u>	<u>Percent Delinquent June 30</u>
1996/97	\$ 163,995,715.60	\$ 4,754,533.30	2.90%
1997/98	161,975,928.10	4,416,275.81	2.73
1998/99	164,796,928.88	4,514,971.68	2.74
1999/00	168,950,049.54	3,972,878.70	2.35
2000/01	178,796,035.92	4,603,059.80	2.57

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

Source: California Municipal Statistics, Inc.

Tax Rates

For taxing purposes, the State Board of Equalization has divided the area served by the District into tax rate areas ("TRA"). The largest TRA in the District is TRA 08001. TRA 08001 has a total 2001/02 assessed valuation of \$4,422,306,281 approximately 29% of the District's total assessed value. The components of the 2001/02 property tax rate levied in TRA 08001 are set forth below.

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

	2001/02 Tax Rates
County-wide Rate ⁽¹⁾	1.0000%
City of Richmond – Retirement	.1400
East Bay Regional Park District	.0072
West Contra Costa Unified School District 1998 Bonds	.0180
West Contra Costa Unified School District 2000 Bonds	.0069
Total	1.1721%

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

Source: Contra Costa County Auditor-Controller's Office

Major Taxpayers

The 20 largest taxpayers in the District, as shown on the 2001/02 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 \$3,090,076,708 or approximately 21.42% of the District's total 2001/02 secured tax roll.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Major Taxpayers 2001/02

Name	Products/Services	2001/02 Assessed Valuation	% of Total ⁽¹⁾
Chevron USA Inc.	Industrial	\$2,215,633,236	15.36%
Berlex Laboratories Inc.	Industrial	200,183,093	1.39
ICI Americas Inc.	Industrial	73,122,889	0.51
Bio-Rad laboratories Inc.	Industrial	66,339,217	0.46
Richmond Associates LLC	Shopping Center	63,347,175	0.44
Watch Holdings LLC	Apartments	53,935,517	0.37
Security Capital Pacific Trust	Apartments	42,703,037	0.30
Bunham Pacific Operating Partnership	Shopping Center	39,699,921	0.28
California Fats & Oils Inc.	Industrial	37,233,780	0.26
Regency Realty Group Inc.	Shopping Center	33,661,428	0.23
Dayton Hudson Corp./Mervyn's	Shopping Center	33,482,584	0.23
The Hearst Corporation	Industrial	32,434,485	0.22
Hilltop Commons LP	Apartments	28,021,063	0.19
Dicon Fiberoptics inc.	Industrial	27,394,459	0.19
MSC Pinole Steel Inc.	Industrial	25,506,607	0.18
Pt. Richmond R&D Associates II LLC	Industrial	25,316,869	0.18
General Chemical Corporation	Industrial	23,601,736	0.16
Tosco Corporation	Industrial	23,341,762	0.16
Rafanelli and Nahas Gillette	Apartments	22,565,142	0.16
Richmond Marina Shores II	Apartments	22,552,708	0.16
		<u>\$3,090,076,708</u>	<u>21.42%</u>

⁽¹⁾ 2001/02 Total Local Secured Assessed Valuation: \$14,425,070,001.

Source: California Municipal Statistics, Inc.

Assessment District

On August 3, 1994, the District completed formation of a Maintenance and Recreation Assessment District ("MRAD") pursuant to the Landscape and Lighting Act of 1972. Annual assessments are \$72 per living unit (a single-family residence is a "living unit"; for multi-family housing the number of living units are assigned on a sliding scale according to the number of apartments in the complex). There are approximately 70,000 defined living units within the MRAD. The District has received approximately \$5 million annually in assessment revenue since 1994/95. On November 5, 1996, the MRAD received over 2/3 majority approval at the general election. Although no assurances can be given, such election may exempt the District from the provisions of Proposition 218 "The Right to Vote on Taxes" initiative which became effective November 6, 1996. See **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Article XIII C and XIII D of the California Constitution."** The use of MRAD revenue is restricted to expenditures for recreation, lighting, and landscape operations and maintenance; it does not count towards the District's revenue limit and effectively relieves the District from funding these expenditures from general fund revenue. MRAD assessments must be levied annually by the District Board acting in its capacity as the MRAD governing board.

Comparative Financial Statements

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT General Fund Revenues, Expenditures and Fund Balances (Excluding MRAD) 1997/98 through 2001/02 (In Thousands)					
	1997/98 <u>Actual</u> ⁽¹⁾	1998/99 <u>Actual</u> ⁽¹⁾	1999/2000 <u>Actual</u> ⁽¹⁾	2000/01 <u>Actual</u> ⁽¹⁾	2001/02 <u>Budget</u> ⁽²⁾
REVENUE					
Revenue Limit Sources:	\$118,256	\$124,354	\$130,312	\$145,105	\$151,796
Federal Revenue	10,739	12,050	14,415	17,378	18,198
Other State Revenue	46,379	52,237	56,944	66,188	60,796
Other Local Revenue	3,419	4,192	5,676	7,100	3,048
TOTAL REVENUE ⁽³⁾	<u>\$178,794</u>	<u>\$192,834</u>	<u>\$207,347</u>	<u>\$235,771</u>	<u>\$233,837</u>
EXPENDITURES					
Certificated Salaries	\$ 85,684	\$90,179	\$99,038	\$111,534	\$114,765
Classified Salaries	26,370	27,020	28,370	33,383	34,382
Employee Benefits	29,898	30,704	31,202	34,282	41,830
Books and Supplies	7,051	8,268	8,390	10,573	17,535
Services/Other Operating Exp.	23,357	24,346	25,612	29,771	29,274
Capital Outlay	3,957	1,941	2,588	3,471	1,606
Other Outgo	1,130	2,214	2,451	2,842	106
Direct Support/Indirect Costs	(508)	(529)	(595)	(623)	(527)
Debt Service	303	300	300	2,126	0
TOTAL EXPENDITURES ⁽³⁾	<u>\$177,243</u>	<u>\$184,443</u>	<u>\$197,356</u>	<u>\$227,358</u>	<u>\$238,972</u>
EXCESS OF REVENUE OVER/ (UNDER) EXPENDITURES ⁽³⁾	1,551	8,390	9,991	8,413	(5,134)
OTHER FINANCING SOURCES/ (USES)					
Transfers In/ Other Sources	293	0	0	0	0
Transfers Out/ Other uses	(3,424)	(2,889)	(4,733)	(4,663)	(3,019)
TOTAL ⁽³⁾	<u>(3,131)</u>	<u>(2,889)</u>	<u>(4,733)</u>	<u>(4,663)</u>	<u>(3,019)</u>
BEGINNING FUND BALANCE, JULY 1	11,905	10,325	15,827	21,085	24,836
ENDING FUND BALANCE, JUNE 30 ⁽³⁾	<u>\$ 10,325</u>	<u>\$15,827</u>	<u>\$21,085</u>	<u>\$24,836</u>	<u>\$16,682</u>

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

⁽²⁾ First Period Interim Report as of October 31, 2001.

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

District Debt Structure

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

Emergency Apportionment Loans — In July 1990, the District obtained an emergency apportionment loan from the State of California in the amount of \$9,525,000. In May of 1991, the District received an additional loan from the State of California for \$19,000,000. On June 30, 1993, the State agreed to restructure the payment of these loans by consolidating them into a single loan with a 15-year repayment period (the "State Loan"). Subsequent legislation, AB 437 signed by the Governor on October 13, 1997, amortizes the \$21,919,651 State Loan remaining after the February 1998 payment over 20 years. The revised State Loan payment schedule remaining is shown below. See "PRIOR FINANCIAL HISTORY OF THE DISTRICT — Loans From the State of California", "—AB 535" and "—AB 437" herein.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Payment of State Loan

<u>Year Ending June 30</u>	<u>Amount Due</u>
2002	\$1,863,550
2003	1,863,550
2004	1,863,550
2005	1,863,550
2006	1,863,550
Thereafter	<u>22,362,615</u>
Total	<u>\$31,680,365</u>

General Obligation Bonds — On June 2, 1998, the District received authorization to issue \$40 million in general obligation bonds (the "1998 Authorization.") On August 18, 1998, the District issued \$10 million general obligation bonds under the 1998 Authorization (the "Series 1998-A Bonds.") On February 9, 1999, the District issued \$10 million general obligation bonds under the 1998 Authorization (the "Series 1998-B Bonds.") On February 7, 2000, the District issued \$10 million general obligation bonds under the 1998 Authorization (the "Series 1998-C Bonds.") On August 9, 2000, the District issued \$10 million general obligation bonds under the 1998 Authorization (the "Series 1998-D Bonds.")

On November 6, 2001 the District issued \$28,610,000 refunding general obligation bonds to defease the Series 1998-A, Series 1998-B and Series 1998-D Bonds (the "2001 Refunding Bonds, Series A.") Following is a schedule of the principal and interest payments remaining on the 2001 Refunding Bonds, Series A, which mature August 1, 2026:

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT 2001 Refunding Bonds, Series A

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 1,060,000	\$ 367,341.25	\$ 1,427,341.25
2003	745,000	1,424,441.25	2,169,441.25
2004	780,000	1,393,162.50	2,173,162.50
2005	800,000	1,360,023.75	2,160,023.75
2006	930,000	1,325,515.00	2,155,515.00
Thereafter	<u>24,395,000</u>	<u>14,341,785.00</u>	<u>38,736,785.00</u>
Total	<u>\$28,610,000</u>	<u>\$20,212,268.75</u>	<u>\$48,822,268.75</u>

On November 6, 2001 the District issued \$10,255,000 refunding general obligation bonds to defease the Series 1998-C Bonds (the "2001 Refunding Bonds, Series B.") Following is a schedule of the principal and interest payments remaining on the 2001 Refunding Bonds, Series B, which mature August 1, 2025:

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
2001 Refunding Bonds, Series B**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 355,000	\$ 140,796.88	\$ 495,796.88
2003	250,000	547,277.50	797,277.50
2004	260,000	536,410.00	796,410.00
2005	275,000	524,855.00	799,855.00
2006	285,000	512,487.50	797,487.50
Thereafter	<u>8,830,000</u>	<u>5,700,553.75</u>	<u>14,530,553.75</u>
Total	<u>\$10,255,000</u>	<u>\$7,962,380.63</u>	<u>\$18,217,380.63</u>

On November 7, 2000, the District received authorization to issue \$150 million in general obligation bonds under the 2000 Authorization. On May 15, 2001, the District issued general obligation bonds (the "Series 2000-A Bonds") in the amount of \$15,000,000 to fund the acquisition and construction of several school sites. The interest rates range from 5.0% to 8.0% and mature on August 1, 2031. Interest and principal payments are made semiannually and annually.

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Series 2000-A Bonds**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 0	\$ 612,665.63	\$ 612,665.63
2003	0	816,887.50	816,887.50
2004	260,000	806,487.50	1,066,487.50
2005	275,000	785,087.50	1,060,087.50
2006	285,000	762,687.50	1,047,687.50
Thereafter	<u>14,180,000</u>	<u>11,205,162.61</u>	<u>25,385,162.61</u>
Total	<u>\$15,000,000</u>	<u>\$14,988,978.24</u>	<u>\$29,988,978.24</u>

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
1994 Certificates of Participation

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 190,000	\$ 729,322	\$ 919,322
2003	200,000	716,088	916,088
2004	215,000	702,166	917,166
2005	235,000	687,041	922,041
2006	245,000	670,713	915,713
Thereafter	<u>9,265,000</u>	<u>7,324,389</u>	<u>16,589,389</u>
Total	<u>\$10,350,000</u>	<u>\$10,829,719</u>	<u>\$21,179,719</u>

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
1999 Variable Rate Certificates

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

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

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

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

Computer Equipment Acquisition Loans — During the fiscal year 1989/90, the District financed the acquisition of an administrative and instructional computer system with a loan from IBM. The loan is secured by the acquired assets. Subsequent to June 30, 1993, the District restructured the debt allowing for one payment during fiscal year 1993/94 and the remaining payments in the aggregate amount of \$5,000,000 represented by \$3,470,953 of principal and \$1,529,047 of interest payable in fiscal years 2007/08 through 2010/11. The Pooled Money Investment Rate at June 30, 1993, of 4.402%, was used to impute the interest costs implicit in the repayment amounts.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
IBM Contract Payment Schedule

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

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

Child Care Facilities — On February 7, 2001, the District received a no-interest loan from the California Department of Education in fiscal year 2000-01 for the development and acquisition of childcare facilities. The District received an initial amount of \$573,048 with the District repaying \$33,000 of the loan, leaving a balance of \$540,048. The loan balance is to be repaid in 10 annual installments. The 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>
2002	\$ 54,005
2003	54,005
2004	54,005
2005	54,005
2006	54,005
Thereafter	<u>270,023</u>
Total	<u>\$540,048</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 February 1, 2002, according to California Municipal Statistics, Inc. The District makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc.

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

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

2001/02 Assessed Valuation: \$15,295,071,828 (before deduction of redevelopment incremental valuation of \$2,625,397,957)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/02</u>
East Bay Municipal Utility District	12.956%	\$ 818,819
East Bay Municipal Utility District, Special District No. 1	6.011	2,697,136
West Contra Costa Unified School District	100.000	52,450,000 ⁽¹⁾
City of Hercules	89.366	531,728
East Bay Regional Park District	6.841	11,493,564
Richmond Redevelopment Community Facilities District No. 1998-1	100.000	4,420,000
City and County 1915 Act Bonds	100.000	52,603,798
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$125,015,045
Less: East Bay Municipal Utility District (100% self-supporting)		818,819
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$124,196,226
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Contra Costa County General Fund Obligations	15.357%	\$50,231,211
Contra Costa County Pension Obligations	15.357	45,662,504
Contra Costa County Board of Education Certificates of Participation	15.357	417,710
Contra Costa County Mosquito Abatement District Certificates of Participation	15.357	162,016
Alameda-Contra Costa Transit District Certificates of Participation	10.889	2,506,648
Contra Costa Community College District Certificates of Participation	15.370	220,560
West Contra Costa Unified School District Certificates of Participation	100.000	11,325,000
City of Hercules Certificates of Participation	89.366	4,731,930
City of Richmond General Fund Obligations	100.000	53,448,828
City of Richmond Pension Obligations	100.000	31,360,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$200,066,407
 GROSS COMBINED TOTAL DEBT		\$325,081,452 ⁽²⁾
NET COMBINED TOTAL DEBT		\$324,262,633

⁽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.

<u>Ratios of General Obligation Debt to 2001/02 Assessed Valuation:</u>	
Direct Debt (\$52,450,000)	0.34%
Total Gross Overlapping Tax and Assessment Debt	0.82%
Total Net Overlapping Tax and Assessment Debt	0.81%

<u>Ratios of Combined Debt to Adjusted Assessed Valuation:</u>	
Combined Direct Debt (\$63,775,000)	0.50%
Gross Combined Total Debt	2.57%
Net Combined Total Debt	2.56%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/01: \$0

Source: California Municipal Statistics, Inc.

After issuance of the Bonds, the District's total amount of general obligation bonds outstanding will be \$92,450,000. The direct general obligation bond debt of the District after issuance of the Bonds will be equal to 0.60% of the \$15.3 billion 2001/02 assessed valuation of taxable property within the District. The District's general obligation bonding capacity is limited under State law to an amount equal to 2.5% of the assessed valuation of taxable property within the District, or approximately \$382 million for fiscal year 2001/02.

COUNTY INVESTMENT POLICIES AND PRACTICES

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

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

The Treasurer has authority to implement and oversee the investment of such funds in the County Pool in accordance with State Government Code Section 53600 *et seq.* The Treasurer accepts funds only from agencies located within the County. There are currently 40 participants in the County Pool, the largest being the County itself. As of December 31, 2001, the cost value of the County Pool was \$1,433,637,392.13 and the market value was \$1,440,520,070.30.

As of December 31, 2001, the County Pool had 55.01% of its assets managed by the Treasurer's office, 40.44% of its assets managed by outside contractors, and 4.55% in cash. Of those assets managed by the Treasurer's office 13.37% of the pool's assets are invested U.S. Treasury and U.S. Agency Securities; and 41.64% in other money market instruments including repurchase agreements, commercial paper, negotiable certificates of deposit, medium term notes and time deposits. Of those assets managed by outside contractors 33.01% of its assets are invested with the Local Agency Investment Fund, which is managed by the State Treasurer's Office, and 7.43% 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, 2001.

CONTRA COSTA COUNTY TREASURY INVESTMENT POOL PORTFOLIO COMPOSITION (As of December 31, 2001)

<u>Type of Investment</u>	<u>Cost Value</u>	<u>Market Value</u>	<u>Percent of Total (Cost Value)</u>
Investments Managed by Treasurer's Office			
United States Treasury Securities	\$ 16,869,801.03	\$ 18,076,644.71	1.18%
United States Agencies Securities	174,885,513.44	177,178,609.58	12.19%
Money Market Instruments	<u>596,970,811.90</u>	<u>597,665,393.07</u>	<u>41.64%</u>
TOTAL	\$788,726,126.37	\$792,920,647.36	55.01%
Investments Managed by Outside Contractors			
Local Agency Investment Fund	\$473,313,489.69	\$475,105,986.57	33.01%
Other Investment Managers	<u>106,434,264.16</u>	<u>107,329,924.46</u>	<u>7.43%</u>
TOTAL	\$579,747,753.85	\$582,435,911.03	40.44%
Cash	\$ 65,163,511.91	\$ 65,163,511.91	4.55%
TOTAL	\$1,433,637,392.13	\$1,440,520,070.30	100.00%

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

As of December 31, 2001, the County Pool had a weighted average maturity of 77 days with 92.99% of the portfolio maturing in less than one year, 4.00% in securities maturing in one to two years, 2.03% in securities maturing in two to three years, and 0.98% in securities maturing in more than three years. The following table summarizes the portfolio liquidity of the County Pool as of December 31, 2001.

**CONTRA COSTA COUNTY TREASURY INVESTMENT POOL
PORTFOLIO LIQUIDITY
(As of December 31, 2001)**

<u>Term to Maturity</u>	<u>Cost Value</u>	<u>Percent of Total (Cost Value)</u>
Less than 1 year	\$1,333,063,708	92.99%
1 years to 2 years	57,363,836	4.00%
2 years to 3 years	29,155,691	2.03%
3 years to 4 years	3,363,605	0.23%
4 years to 5 years	9,751,381	0.68%
Greater than 5 years ⁽¹⁾	939,172	0.07%
Total	<u>\$1,433,637,392</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 County Pool investment portfolio has no securities lending, reverse repurchase agreements, or derivatives. The County's current practice is for the County Treasurer to mark the portfolio to market on a monthly basis. The County performs such valuations. The County reports that it follows a "buy and hold" investment strategy and was not required to liquidate securities at a loss to meet disbursement requirements of the County Pool participants during the past fiscal year. The County reports that it expects the County Pool will have sufficient liquid funds to meet the disbursement requirements of its participants through the next six months.

PRIOR FINANCIAL HISTORY OF THE DISTRICT

General

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

Financial Difficulties

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

The 1988 Certificates

The 1988 Certificates were executed and delivered to provide \$6,700,000 for deposit into the District's general fund to correct general fund budget deficits projected for the 1987/88 and 1988/89 fiscal years, as well as to provide \$800,000 for a computerized management system and \$1,000,000 for the construction of one multipurpose room at three elementary schools. At the time of execution and delivery of the 1988 Certificates, the District viewed the primary causes of the deficits as increased expenditures for employee salaries due to an adverse arbitration award and less than anticipated revenues due to a shortfall in projected student enrollment. At that time, the District was considering several alternatives to eliminate future deficits, including negotiating a cap on future salary increases, pursuing joint ventures in connection with the development of surplus property, and reducing staff.

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

Loans From the State of California

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

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

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

Bankruptcy of the District

Beginning in March 1988 the Contra Costa County Office of Education expressed concern over what it perceived as the District's potential insolvency and reliance on uncertain revenue sources. Two months after the issuance of the 1988 Certificates, a \$125 parcel tax initiative was defeated by voters. Audits by the State determined in early 1989 that \$9 million in Voluntary Pupil Integration Program funds received by the District had been inappropriately spent in fiscal years 1988/89 and 1989/90, and in July 1989 the District added \$8.75 million to its debt by signing a contract with IBM for instructional and business systems. These occurrences, among others, caused the rejection of the District's proposed 1989/90 budget by the State. Under State law, such a rejection mandated the establishment of a three-member State budget review committee to resolve the District's budget issues. In February 1990 the budget review committee, in a preliminary report, concluded that the District would end 1989/90 with a

\$6.4 million deficit which would increase to a \$15 million deficit in 1990/91. The budget committee's efforts resulted in the rejection of the District's budget by the State in April 1990 and the subsequent District request for an emergency \$14 million loan from the State. See **"Loans From the State of California"** above. As to the budget process generally for school districts in California, see **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Budget Process"** herein.

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

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

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

Assembly Bill 535

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

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

Assembly Bill 536

On October 1, 1993, the Governor of the State signed Assembly Bill 536 ("AB 536"). This legislation provided for the refunding of the 1988 Certificates by allowing the District to enter into a lease of its property and use the proceeds of such lease for the purpose of terminating the lease on the 1988 Certificates. AB 536 also established an intercept program with the State (the "AB 536 Intercept") wherein the trustee of the 1994 Refunding Certificates may notify the State Controller that one or more of the lease payments due under the lease related to the 1994 Refunding Certificates (the "Base Rental Payments") has not been paid. Upon such notification by April 1 for Base Rental Payments due July 1 and by October 1 for Base Rental Payments due January 1, the State Controller will pay to the Trustee

from the District's next available State apportionment entitlement the defaulted rental payment no later than on its respective due date. The payment by the State Controller may not exceed the amount of any apportionment entitlement of the District to moneys in the State School Fund, less any payments required in that fiscal year to pay any State loans made to the District (including the State Loan). The State Controller will withhold the amount of any payment made under AB 536, which will include reimbursement of the State Controller's administrative costs as determined under a schedule approved by the California Debt Advisory Commission, from the next available payment that would otherwise be made by the State to the District as a State apportionment from the State School Fund.

The AB 536 Intercept is only available to pay defaulted Base Rental Payments which the District is legally obligated to pay and therefore does not apply to Base Rental Payments which have been abated or are otherwise not payable under the terms of the Lease Agreement of the 1994 Refunding Certificates or under applicable laws, or to any other obligations of the District, including the Notes. Moneys available to pay Base Rental Payments under the AB 536 Intercept do not constitute a guarantee by the State. The AB 536 Intercept provides a method whereby moneys otherwise payable to the District as its State apportionment may be diverted to the Trustee to pay Base Rental Payments and the availability of the AB 536 Intercept is limited to the amount available to the District as a State apportionment at the time the Trustee of the 1994 Refunding Certificates requests money under the AB 536 intercept program. As to apportionments generally, see **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of Education"** herein.

Assembly Bill 437

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

Management Changes

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

Upon withdrawal of the District from bankruptcy in November 1991, the search for a superintendent commenced, leading to the hiring of Dr. Herbert Cole, who served as superintendent from April 1992 until his retirement on January 31, 1999. Dr. Gloria L. Johnston was selected to succeed Dr. Cole as superintendent of the District in February 1999. Dr. Fred Stewart remains as State trustee for the District. A State trustee will remain with the power to stay or rescind any action of the District Board that might have an adverse effect on the financial condition of the District until the State Loan has been paid.

The Five-Year Plan

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

comprehensive Education Plan (as described in the Five-Year Plan) consistent with the approved Five-Year Plan.

ECONOMIC PROFILE

Introduction

The District is located in western Contra Costa County. Cities within the District include El Cerrito, Hercules, Pinole, Richmond and San Pablo; also, within the District are certain unincorporated areas, including the communities of El Sobrante and Kensington. The County is situated northeast of San Francisco, bounded by San Francisco and San Pablo bays to the west and north, the Sacramento River delta to the north, San Joaquin County to the east, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part of the County is also undergoing substantial change, from a rural, agricultural area to a suburban region. The County has extensive and varied transportation facilities - ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco. These advantages, combined with a mild climate and available land, make Contra Costa County attractive for industrial and residential development.

Population

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

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

Year	Contra Costa County	City of El Cerrito	City of Hercules	City of Pinole	City of Richmond	City of San Pablo
1970	555,805	25,190	252	13,266	79,043	21,461
1980	656,380	22,731	5,963	14,253	74,676	19,750
1990	797,600	22,900	16,500	17,000	86,700	24,700
2000	955,859	23,345	19,628	19,228	100,744	30,735
2001	972,103	23,551	19,995	19,468	101,716	30,981

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

Source: 1970 - 1990: U.S. Bureau of Census; 2000 - 2001: State Department of Finance, Demographic Research Unit, as of January 1 of each year.

Employment

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

CONTRA COSTA COUNTY Civilian Labor Force, Employment and Unemployment Annual Averages					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Civilian Labor Force ⁽¹⁾					
Employment	437,000	453,200	462,600	475,300	491,400
Unemployment	22,500	19,600	17,300	14,800	13,700
Total	459,500	472,800	479,900	490,100	505,100
Unemployment Rate ⁽²⁾	4.9%	4.1%	3.6%	3.0%	2.7%

⁽¹⁾ Based on place of residence.

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

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

The following table summarizes the unemployment rates in Contra Costa County and the cities within the District as of December 2001.

CIVILIAN LABOR FORCE Unemployment Rates as of December 2001⁽¹⁾	
Contra Costa County	3.6%
City of El Cerrito	2.6
City of Hercules	3.1
City of Pinole	3.2
City of Richmond	6.9
City of San Pablo	7.4

⁽¹⁾ Preliminary, based on 2000 benchmark and place of residence; calculated based on unrounded data; not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information

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

	1996	1997	1998	1999	2000
Agricultural	2,100	2,100	1,900	2,300	3,400
Mining & Construction	48,800	52,100	56,000	62,800	67,500
Manufacturing	114,600	120,100	121,300	117,600	122,000
Transportation & Public Utilities	58,500	60,900	62,500	63,300	64,700
Wholesale Trade	55,500	59,100	63,000	67,100	67,700
Retail Trade	152,500	153,200	157,300	164,100	168,300
Finance, Insurance & Real Estate	52,100	54,600	55,400	57,000	57,800
Services	266,200	279,900	291,800	303,000	322,000
Government	168,200	167,900	168,900	173,000	176,600
Total All Industries	<u>918,500</u>	<u>949,900</u>	<u>978,100</u>	<u>1,010,200</u>	<u>1,049,800</u>

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

2000 benchmark.

Source: California Employment Development Department.

Largest Employers

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

EAST BAY: ALAMEDA AND CONTRA COSTA COUNTIES
Largest Employers

Employer	Products/Services	Number of Employees ⁽¹⁾
U.S. Postal Service	Postal Services and Products	10,600
Pacific Bell	Telecommunications	10,000
University of California	Public Research University	9,300 ⁽²⁾
Lawrence Livermore National Laboratory	Scientific Research and Development	8,229
Kaiser Permanente	Managed Health Care	8,000
Contra Costa County	County Government	8,000
Alameda County	County Government	7,300
Bank of America	Financial Services	7,081
Chevron Corp.	Energy: Oil and Gas	6,586
Oakland Unified School District	Public Education	5,781
Pacific Gas and Electric Co.	Gas and Electric Services	5,200
The Clorox Co.	Household Products	5,000
New United Motor Manufacturing	Automobile Manufacturer	4,900
Lucky Stores and Sav-on Drug	Retail Food and Drug Stores	4,631 ⁽²⁾
Safeway Inc.	Retail Grocery	3,500
Wells Fargo Bank	Commercial Bank	3,030
City of Oakland	City Government	3,000
John Muir Medical Center	Health Care/Hospitals	2,882
Lawrence Berkeley National Laboratory	Scientific Research	2,800
Lam Research Corp.	Semiconductors	2,750

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

⁽²⁾ Based on 1997 figures.

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

Commercial Activity

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

CONTRA COSTA COUNTY Taxable Transactions (Dollars in Thousands)		
<u>Year</u>	<u>Outlets⁽¹⁾</u>	<u>Taxable Transactions</u>
1996	24,451	\$8,575,704
1997	23,643	9,277,418
1998	23,093	10,093,690
1999	22,733	11,114,476
2000	22,674	12,330,560

⁽¹⁾ As of July 1.

Source: State Board of Equalization.

The following table summarizes historical taxable transactions in the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Taxable Transactions for Cities in the District⁽¹⁾ - All Outlets (Dollars in Thousands)					
<u>City</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
El Cerrito	\$171,168	\$175,419	\$180,873	\$204,716	224,899
Hercules	49,334	57,933	55,946	63,066	72,472
Pinole	192,955	203,507	219,455	239,778	273,840
Richmond	708,121	780,507	860,825	1,026,829	1,162,470
San Pablo	108,206	109,352	109,435	126,676	141,742

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

Source: State Board of Equalization.

Median Household Income

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

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

⁽¹⁾ As of January 1.

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

Building Activity

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

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

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

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

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

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

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

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

LEGAL MATTERS

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, and HTB Law Group, Taylor & Bazile, Oakland, California, Co-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 earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986 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 requirements. 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.

Purchasers of the Bonds are cautioned that the opinion of Co-Bond Counsel does not identify the amount of interest that is excluded from gross income for federal income tax purposes.

In the further opinion of Co-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. Co-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 opinion of Co-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 District's ability to levy and collect *ad valorem* taxes, or to collect other revenues, or contesting its ability to issue and retire the Bonds.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Co-Bond Counsel. A complete copy of the proposed form of Co-Bond Counsel opinion is set forth in "APPENDIX A — Form of Opinion of Co-Bond Counsel" herein.

MISCELLANEOUS

Ratings

Fitch Inc. and Standard & Poor's have assigned their municipal bond ratings of "AAA" and "AAA," respectively, to the Bonds based 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 is One State Street Plaza, 31st Floor, New York, New York 10004. The address of Standard & Poor's 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. 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 February 12, 2002, Salomon Smith Barney, as Underwriter, has agreed to purchase the Bonds from the District at the purchase price of \$40,000,573.35 plus accrued interest from February 1, 2002, to the date of delivery of the Bonds, and to reoffer the Bonds pursuant to the terms and conditions set forth 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. While the Financial Advisor has participated in the drafting, editing and completion of certain portions of this Official Statement, the Financial Advisor has not independently audited, authenticated or otherwise verified the information set forth the Official Statement with respect to accuracy and completeness. Furthermore, although the information contained in the Official Statement was obtained from sources considered to be reliable, the Financial Advisor 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 of for the 2000/01 fiscal year (which is due no later than March 31, 2002),

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 and with the appropriate State of California information depository, 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 S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

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 Co-Bond Counsel, substantially in the form attached as **APPENDIX A** hereto;
- (b) The Certificate of the District certifying that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds;
- (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, 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 PRACTISES**" 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 County 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

The purpose of this Official Statement is to supply information in connection with the sale of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution, and the constitutional provisions, statutes, and other documents contained herein do not purport to be complete, and reference is hereby made to said Bonds, Resolution, constitutional provisions, statutes, and other documents for full and complete statements of their provisions.

All data contained herein have been taken or constructed from the District's records and other sources. The undersigned District official acting in his or her official capacity, has reviewed this Official Statement and has determined that, as of the date hereof, the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. An official of the District will execute a certificate to this effect upon delivery of the Bonds. This Official Statement and its distribution have been duly authorized and approved by the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

By: /s/ Dr. Gloria L. Johnston
Superintendent

APPENDIX A
FORM OF FINAL OPINION OF CO-BOND COUNSEL

[Closing Date]

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

OPINION: \$40,000,000 West Contra Costa Unified School District (Contra Costa County,
California) General Obligation Bonds, Election of 2000, Series B

Members of the Board of Education:

We have acted as co-bond counsel to the West Contra Costa Unified School District (the "District") in connection with the issuance by the District of \$40,000,000 principal amount of West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2000, Series B (the "Series B Bonds"), pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Education (the "Board") of the District on January 23, 2002 (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 District 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 issue the Series B Bonds and to perform its obligations under the Resolution and the Series B Bonds.
2. The Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Resolution for the security of the Series B Bonds.
3. The Series B Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District. The Board of Supervisors of Contra Costa County 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 Series B Bonds. The Series B Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.
4. The interest on the Series B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, 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 earnings. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all

requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series B Bonds in order that interest thereon 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 interest on the Series B Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series B Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series B Bonds.

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

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

Respectfully submitted,

APPENDIX B

**EXCERPTS FROM DISTRICT'S 2000/01
AUDITED FINANCIAL STATEMENTS**

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KATHLEEN CONNELL
Controller of the State of California

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

INDEPENDENT AUDITOR'S REPORT

The State Controller's Office has audited the accompanying general-purpose financial statements of the West Contra Costa Unified School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the West Contra Costa Unified School District's management. The Controller's Office's responsibility is to express an opinion on the general-purpose financial statements based on this audit.

The State Controller's Office conducted its 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 of America. Those standards require the State Controller's Office to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The State Controller's Office believes that the audit provides a reasonable basis for its opinion.

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

Due to the lack of internal controls and insufficient records of transactions involving student body funds, the general purpose financial statements referred to above do not include the student body funds within the agency fund type, which should be included in order to conform with generally accepted accounting principles. The assets and liabilities of the student body funds were not audited; therefore, the effect on the agency fund is not known.

In the State Controller's Office's opinion, except for the effects on the financial statements of the omissions described in the two preceding paragraphs, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the West Contra Costa Unified School District as of June 30, 2001, and the results of its operations, and the cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, the State Controller's Office has also issued its report dated November 20, 2001, on the State Controller's Office's consideration of the West Contra Costa Unified School District's internal control over financial reporting and the State Controller's Office's tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of this audit.

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


JEFFREY V. BROWNFIELD, CPA, Chief
Division of Audits

November 20, 2001

General Purpose Financial Statements

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	Long-Term Debt	(Memorandum Only)
Assets								
Cash in county treasury (Note 2)	\$18,538,267	\$1,827,609	\$6,393,631	\$5,533,978	\$519,963	\$7,083,222	-	\$39,896,670
Cash on hand and in banks (Note 2)	-	64,867	-	-	-	-	-	64,867
Cash in revolving fund (Note 2)	70,000	-	-	-	-	-	-	70,000
Cash with fiscal agent (Note 2)	-	2,651,082	1,394,936	26,311	-	-	-	4,072,329
Cash in escrow (Note 21)	-	-	-	2,950,000	-	-	-	2,950,000
Investments (Note 2)	33,988,982	2,253,758	78,614	38,284,859	1,379,724	-	-	75,985,937
Accounts receivable (Note 4)	13,140,005	2,026,024	19,231	284,548	18,258	99,392	-	15,587,458
Due from other funds (Note 5)	1,810,000	1,080,563	46,852	-	-	-	-	2,937,415
Stores inventories - supplies (Note 1G2)	495,817	-	-	-	-	-	-	495,817
Stores inventories - food (Note 1G2)	-	252,326	-	-	-	-	-	252,326
Amount available in debt service fund	-	-	-	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	90,420,156	90,420,156
Total assets	\$68,043,071	\$10,156,229	\$7,933,264	\$47,079,696	\$1,917,945	\$7,182,614	\$98,348,879	\$240,661,698
Liabilities and fund equity								
Liabilities:								
Accounts payable	\$10,150,103	\$699,599	\$4,541	\$2,361,410	\$11,063	\$48,583	-	\$13,275,299
Retainage payable	-	-	-	\$2,950,000	-	-	-	\$2,950,000
Estimated liability for open claims (Note 6)	-	-	-	-	597,000	-	-	597,000
Due to other funds (Note 5)	-	1,810,000	-	1,127,415	-	-	-	2,937,415
Due to regulatory agencies	-	-	-	-	-	1,650,905	-	1,650,905
Deferred revenue (Note 1G3)	7,483,624	829,000	-	-	-	-	-	8,312,624
Tax revenue anticipation notes (Note 7)	25,000,000	-	-	-	-	-	-	25,000,000
General obligation bonds (Note 8)	-	-	-	-	-	-	\$54,340,000	54,340,000
Emergency apportionment loans (Note 9)	-	-	-	-	-	-	19,964,837	19,964,837
Certificates of participation (Note 10)	-	-	-	-	-	-	11,875,000	11,875,000
Voluntary integration program audit exceptions (Note 11)	-	-	-	-	-	-	6,252,000	6,252,000
Computer equipment acquisition loans (Note 12)	-	-	-	-	-	-	3,470,953	3,470,953
Child Care Facilities Loan (Note 13)	-	-	-	-	-	-	540,048	540,048
Compensated absences (Note 1G5)	573,589	-	-	-	-	-	1,906,041	2,479,630
Total liabilities	43,207,316	3,338,599	4,541	6,438,825	608,063	1,699,488	98,348,879	153,645,711
Fund equity:								
Retained earnings	-	-	-	-	1,309,882	-	-	1,309,882
Reserved for revolving fund	70,000	-	-	-	-	-	-	70,000
Reserved for stores inventories	495,817	252,326	-	-	-	-	-	748,143
Reserved for legally restricted balances	5,739,477	-	-	-	-	-	-	5,739,477
Reserved for debt service	-	-	7,928,723	-	-	-	-	7,928,723
Designated for GO Bond Projects	-	-	-	34,000,000	-	-	-	34,000,000
Designated for Peres Parkway	-	-	-	500,000	-	-	-	500,000
Designated for economic uncertainties	5,000,000	-	-	-	-	-	-	5,000,000
Designated for audit reserve	3,000,000	-	-	-	-	-	-	3,000,000
Designated for c/o state funded projects	3,515,641	-	-	-	-	-	-	3,515,641
Designated for facilities	1,440,000	-	-	-	-	-	-	1,440,000
Designated for new schools openings	300,000	-	-	-	-	-	-	300,000
Designated for other program carryovers	503,106	-	-	-	-	-	-	503,106
Designated for AB 2265	800,000	-	-	-	-	-	-	800,000
Undesignated fund balance	3,971,714	6,565,304	-	6,140,871	-	5,483,126	-	21,525,562
Total fund equity	24,835,755	6,817,630	7,928,723	40,640,871	1,309,882	5,483,126	-	87,015,987
Total liabilities and fund equity	\$68,043,071	\$10,156,229	\$7,933,264	\$47,079,696	\$1,917,945	\$7,182,614	\$98,348,879	\$240,661,698

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

Exhibit 2

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Revenue limit sources:						
State apportionments	\$ 80,129,516	\$ 2,142,437	—	—	—	\$ 82,271,953
Local sources	64,975,890	1,079,326	—	—	—	66,055,216
Federal	17,377,573	6,149,417	—	\$ 14,506	—	23,541,496
Other state	66,187,940	3,009,391	\$ 62,828	127,830	—	69,387,989
State on-behalf payments (Note 22)	5,203,296	—	—	—	—	5,203,296
Other local	7,100,001	8,037,189	3,174,482	8,570,939	\$ 6,025,694	32,908,305
Total revenues	240,974,216	20,417,760	3,237,310	8,713,275	6,025,694	279,368,255
Expenditures:						
Certificated salaries	111,534,274	2,572,536	—	—	—	114,106,810
Classified salaries	33,382,649	6,895,366	—	137,228	—	40,415,243
Employee benefits	34,282,124	1,942,119	—	16,846	5,786,114	42,027,203
State on-behalf payments	5,203,296	—	—	—	—	5,203,296
Books and supplies	10,572,909	4,288,478	—	171,488	—	15,032,875
Services and other operating expenditures	29,771,288	2,334,213	—	1,911,202	6,440	34,023,143
Capital outlay	3,470,760	2,513,324	—	27,671,136	—	33,655,220
Other outgo	2,841,555	540,726	—	8,635	—	3,390,916
(Direct support)/indirect costs	(623,491)	623,491	—	—	—	—
Debt service:						
Principal	2,120,000	378,000	1,302,991	718,637	—	4,519,628
Interest	5,868	57,718	3,772,736	114,681	—	3,951,003
Total expenditures	232,561,232	22,145,971	5,075,727	30,749,853	5,792,554	296,325,337
Excess (deficiency) of revenues over (under) expenditures	8,412,984	(1,728,211)	(1,838,417)	(22,036,578)	233,140	(16,957,082)
Other financing sources (uses):						
Operating transfers in (Note 5)	—	1,080,563	2,662,569	5,000,000	—	8,743,132
Proceeds from sale of bonds	—	—	—	25,110,324	—	25,110,324
Proceeds from child care facilities loan	—	573,048	—	—	—	573,048
Operating transfers out (Note 5)	(4,662,569)	—	—	(4,080,563)	—	(8,743,132)
Total other financing sources (uses)	(4,662,569)	1,653,611	2,662,569	26,029,761	—	25,683,372
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	3,750,415	(74,600)	824,152	3,993,183	233,140	8,726,290
Fund balances, July 1, 2000	21,085,340	6,892,230	7,104,571	36,647,688	5,249,986	76,979,815
Fund balances, June 30, 2001	\$ 24,835,755	\$ 6,817,630	\$ 7,928,723	\$ 40,640,871	\$ 5,483,126	\$ 85,706,105

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

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual All Governmental Fund Types and Expendable Trust Fund Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Revenue limit sources:						
State apportionments	\$ 80,396,499	\$ 80,129,516	\$ (266,983)	\$ 2,393,804	\$ 2,142,437	\$ (251,367)
Local sources	64,529,437	64,975,890	446,453	1,086,737	1,079,326	(7,411)
Federal	14,208,939	17,377,573	3,168,634	5,197,352	6,149,417	952,065
Other state	62,840,530	66,187,940	3,347,410	3,649,497	3,009,391	(640,106)
State on-behalf payments	5,203,296	5,203,296	-	-	-	-
Other local	9,535,625	7,100,001	(2,435,624)	8,014,022	8,037,189	23,167
Total revenues	236,714,326	240,974,216	4,259,890	20,341,412	20,417,760	76,348
Expenditures:						
Certificated salaries	111,412,056	111,534,274	(122,218)	2,519,516	2,572,536	(53,020)
Classified salaries	36,184,131	33,382,649	2,801,482	7,015,776	6,895,366	120,410
Employee benefits	35,496,299	34,282,124	1,214,175	1,940,599	1,942,119	(1,520)
State on-behalf payments	5,203,296	5,203,296	-	-	-	-
Books & supplies	11,239,338	10,572,909	666,429	4,101,933	4,288,478	(186,545)
Services and other						
operating expenditures	29,063,083	29,771,288	(708,205)	2,676,303	2,334,213	342,090
Capital outlay	3,723,543	3,470,760	252,783	2,822,312	2,513,324	308,988
Other outgo	3,495,502	2,841,555	653,947	548,413	540,726	7,687
(Direct support)/indirect costs	(612,407)	(623,491)	11,084	612,407	623,491	(11,084)
Debt service:						
Principal	2,120,000	2,120,000	-	345,000	378,000	(33,000)
Interest	5,868	5,868	-	72,932	57,718	15,214
Total expenditures	237,330,709	232,561,232	4,769,477	22,655,191	22,145,971	509,220
Excess (deficiency) of revenues over (under) expenditures	(616,383)	8,412,984	9,029,367	(2,313,779)	(1,728,211)	585,568
Other financing sources (uses):						
Operating transfers in (Note 5)	-	-	-	-	1,080,563	1,080,563
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from child care facilities loan	-	-	-	573,048	573,048	-
Proceeds from capital lease	-	-	-	-	-	-
Proceeds from sale/lease purchase of land/buildings	-	-	-	-	-	-
Operating transfers out (Note 5)	(3,800,000)	(4,662,569)	(862,569)	-	-	-
Total other financing sources (uses)	(3,800,000)	(4,662,569)	(862,569)	(573,048)	1,653,611	1,080,563
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(4,416,383)	3,750,415	8,166,798	(1,740,731)	(74,600)	1,666,131
Fund balances, July 1, 2000	21,085,340	21,085,340	-	6,892,230	6,892,230	-
Fund balances, June 30, 2001	\$ 16,668,957	\$ 24,835,755	\$ 8,166,798	\$ 5,151,499	\$ 6,817,630	\$ 1,666,131

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

Exhibit 3

Capital Projects			Fiduciary Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	-	-	\$ 82,790,303	\$ 82,271,953	\$ (518,350)
-	-	-	-	-	-	65,616,174	66,055,216	439,042
-	\$ 14,506	\$ 14,506	-	-	-	19,406,291	23,541,496	4,135,205
109,443	127,830	18,387	-	-	-	66,599,470	69,325,161	2,725,691
-	-	-	-	-	-	5,203,296	5,203,296	-
7,573,450	8,570,939	997,489	\$ 6,024,974	\$ 6,025,694	\$ 720	31,148,071	29,733,823	(1,414,248)
7,682,893	8,713,275	1,030,382	6,024,974	6,025,694	720	270,763,605	276,130,945	5,367,340
-	-	-	-	-	-	113,931,572	114,106,810	(175,238)
137,000	137,228	(228)	-	-	-	43,336,907	40,415,243	2,921,664
15,660	16,846	(1,186)	5,862,418	5,786,114	76,304	43,314,976	42,027,203	1,287,773
-	-	-	-	-	-	5,203,296	5,203,296	-
190,900	171,488	19,412	-	-	-	15,532,171	15,032,875	499,296
1,967,000	1,911,202	55,798	11,000	6,440	4,560	33,717,386	34,023,143	(305,757)
29,641,200	27,671,136	1,970,064	-	-	-	36,187,055	33,655,220	2,531,835
8,000	8,635	(635)	-	-	-	4,051,915	3,390,916	660,999
-	-	-	-	-	-	-	-	-
644,637	718,637	(74,000)	-	-	-	3,109,637	3,216,637	(107,000)
71,586	114,681	(43,095)	-	-	-	150,386	178,267	(27,881)
32,675,983	30,749,853	1,926,130	5,873,418	5,792,554	80,864	298,535,301	291,249,610	7,285,691
(24,993,090)	(22,036,578)	2,956,512	151,556	233,140	81,584	(27,771,696)	(15,118,665)	12,653,031
5,200,000	5,000,000	(200,000)	-	-	-	5,200,000	6,080,563	880,563
25,051,000	25,110,324	59,324	-	-	-	25,051,000	25,110,324	59,324
-	-	-	-	-	-	(573,048)	(573,048)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(3,200,000)	(4,080,563)	(880,563)	-	-	-	(7,000,000)	(8,743,132)	(1,743,132)
27,051,000	26,029,761	(1,021,239)	-	-	-	23,824,048	23,020,803	(803,245)
2,057,910	3,993,183	1,935,273	151,556	233,140	81,584	(3,947,648)	7,902,138	11,849,786
36,647,688	36,647,688	-	5,249,986	5,249,986	-	69,875,244	69,875,244	-
\$ 38,705,598	\$ 40,640,871	\$ 1,935,273	\$ 5,401,542	\$ 5,483,126	\$ 81,584	\$ 65,927,596	\$ 77,777,382	\$ 11,849,786

**Statement of Revenues, Expenses, and Changes
in Retained Earnings — Proprietary Fund Type
Internal Service Fund
Year Ended June 30, 2001**

Operating revenues:	
Self-insurance premiums	\$ 550,000
	<u>550,000</u>
Total operating revenues	550,000
Operating expenses:	
Contracted services	430,644
	<u>430,644</u>
Operating income	119,356
Non-operating revenue:	
Interest income	82,434
Other gains:	
Gain due to change in estimated liability	843,000
	<u>843,000</u>
Net income	1,044,790
Retained earnings, July 1, 2000	265,092
	<u>265,092</u>
Retained earnings, June 30, 2001	\$ 1,309,882

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

Exhibit 5

**Statement of Revenues, Expenses, and
Changes in Retained Earnings — Proprietary Fund Type
Budget and Actual — Internal Service Fund
Year Ended June 30, 2001**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Self-insurance premiums	\$ 550,000	\$ 550,000	—
Total operating revenues	550,000	550,000	—
Operating expenses:			
Contracted services	535,121	430,644	\$ 104,477
Operating income	14,879	119,356	104,477
Non-operating revenue:			
Interest income (loss)	85,000	82,434	(2,566)
Other gains:			
Gain due to change in estimated liability for open claims	—	843,000	843,000
Net income	99,879	1,044,790	944,911
Retained earnings, July 1, 2000	265,092	265,092	—
Retained earnings, June 30, 2001	\$ 364,971	\$ 1,309,882	\$ 944,911

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

Statement of Cash Flows

Proprietary Fund Type — Internal Service Fund

Year Ended June 30, 2001

Cash flows from operating activities:

Cash received from premiums	\$ 550,000
Cash paid for contracted services	(641,405)
Net cash used by operating activities	<u>(91,405)</u>

Cash flows from investing activities:

Interest income received	86,276
Sale of investments	(86,045)
Net cash provided by investing activities	<u>231</u>
Net decrease in cash	(91,174)
Cash, July 1, 2000	611,137
Cash, June 30, 2001	<u>\$ 519,963</u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	\$ 119,355
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	(210,760)
Total adjustments	<u>(210,760)</u>
Net cash used by operating activities	<u>\$ (91,405)</u>

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

Notes to the Financial Statements

Year Ended June 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

Accordingly, for the year ended June 30, 2001, the financial activities of the corporation have been blended into the financial statements of the district. The corporation's financial activities are presented in the general fund and corporation debt service fund. COPs issued by the corporation are included in the General Long-Term Debt Account Group.

B. Accounting Policies

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

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

C. Fund Accounting

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

Governmental Funds:

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

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

- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the district's cafeterias. In addition, this fund is used to account for the interest and redemption of principal of the 1999 Certificates of Participation (COPs).
- The Child Development Fund is used to account for resources committed to child development programs maintained by the district. In addition, this fund is used to account for the redemption of principal and interest of the Child Care Facilities Loan.
- The Adult Education Fund is used to account for resources committed to adult education programs maintained by the district.
- The Maintenance and Recreation Assessment District (MRAD) Fund is used for the installation, improvement, and maintenance of recreational facilities, irrigation systems, lighting, and landscaping.
- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.
- The Special Reserve Fund was established to account for resources reserved for economic uncertainties.

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

The *Expendable Trust Fund* is used to account for district contributions for employees' retirement benefit payments.

Agency Funds are used to account for assets of others for which the district acts as an agent. The district maintains an agency fund for the payroll clearing fund and the student body accounts. The "Due to Other Regulatory Agencies" account within the payroll clearing fund is used to hold dedicated funds for payroll and related expenses. Due to the lack of internal controls and insufficient records of the student body accounts, the student body fund is not presented in the financial statements.

Account Groups:

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

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

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

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on general long-term debt, which is recognized when due.

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

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

E. Budgets and Budgetary Accounting

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

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

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

F. Encumbrances

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

G. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

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

2. Stores Inventories and Prepaid Expenditures

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

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

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

3. Fixed Assets

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

4. Deferred Revenue

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

5. Compensated Absences

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

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

6. Long-Term Obligations

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

7. Fund Balance Reserves and Designations

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

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

8. Revenue Limit/Property Tax

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

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

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

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

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

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

H. Total Columns on Combined Statements

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

I. Self-Insurance Internal Service Fund

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

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with *Education Code* Section 41001, the district maintains substantially all of its cash in the Contra Costa County Treasury as part of the common investment pool, which totaled \$39,896,670 as of June 30, 2001. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$39,920,466. The district is considered to be an involuntary participant in the external investment pool. The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks and in Revolving Fund

Cash on hand and in banks totaling \$64,867, as of June 30, 2001, is insured for up to \$100,000 by the Federal Deposit Insurance Corporation.

Cash in the revolving fund, totaling \$70,000 as of June 30, 2001, is insured for up to \$100,000 by the Federal Deposit Insurance Corporation.

Cash With Fiscal Agent

As of June 30, 2001, the district had amounts totaling \$4,072,329 on deposit in cash with the fiscal agent. Of the total, the West Contra Costa Unified School District Financing Corporation had investments on deposit in a guaranteed investment contract (GIC) with the Bank of New York and in a certificate of deposit (CD) with Morgan Trust. The carrying amount and market value of these accounts were \$461,293 and \$932,705, respectively. The GIC is a pooled investment and is not subject to categorization, and the CDs represent Category 1 investments that are either insured or collateralized. This is the remainder of funds held in trust in accordance with the terms of the 1994 refunding agreement between the West Contra Costa Unified School District Financing Corporation and the investors in the corporation's certificates of participation (COPs).

The remaining proceeds from the 1996 variable rate COPs issued during fiscal year 1996-97 are invested in treasury obligations. The treasury obligations represent Category 1 investments. The combined carrying amount and market value of these accounts is \$26,311.

The proceeds from the 1999 variable rate COPs issued during 1998-99 are invested in a money market account and a Local Agency Investment Fund (LAIF). The carrying amount and market value of these accounts are \$384,170 and \$2,266,912, respectively. The money market accounts represent Category 1 investments, and the LAIF is not subject to categorization.

Investments

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

Investments as of June 30, 2001, are presented below:

	<u>Carrying Amount</u>	<u>Fair Value</u>
LAIF	\$29,466,569	\$29,532,501
GIC	46,519,368	46,519,368
Total	<u>\$75,985,937</u>	<u>\$76,051,869</u>

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2001, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	122,218
Services and other operating expenditures	708,205
Adult Education Fund:	
Classified salaries	12,407
Employee benefits	2,777
Capital outlay	15,821
Other outgo	1,364
Cafeteria Fund:	
Books and supplies	227,304
Services and other operating expenditures	1,971
Direct support/indirect costs	7,553
Child Development Fund:	
Certificated salaries	63,454
Classified salaries	3,961
Employee benefits	16,751
Books and supplies	11,054
Services and other operating expenditures	1,605
Other outgo	422
Direct support/indirect costs	19,631
Principal	33,000
Deferred Maintenance Fund:	
Capital outlay	73,013
Maintenance and Recreation Assessment District Fund:	
Employee benefits	1,640
Building Fund:	
Classified salaries	228
Employee benefits	1,186
Other outgo	635
Principal	74,000
Interest	43,095
State School Building Fund:	
Service and operating expenses	11

NOTE 4 - ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable as of June 30, 2001, consist of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Internal Service Funds</u>	<u>Trust And Agency</u>	<u>Totals</u>
Federal government:							
Categorical aid programs	\$2,252,919	\$ 1,912,423	\$ —	\$ —	\$ —	\$ —	\$ 4,165,342
State government:							
Categorical aid programs	3,867,154	87,680	—	—	—	—	3,954,834
Mandated Cost	1,439,574	—	—	—	—	—	1,439,574
Staff Development	1,127,184	—	—	—	—	—	1,127,184
Lottery	1,860,947	—	—	—	—	—	1,860,947
Total state government	8,294,859	87,680	—	—	—	—	8,382,539
Local government:							
Categorical aid programs	637,142	—	—	—	—	—	637,142
Interest	1,869,199	25,921	19,231	284,548	18,258	—	2,217,157
Other	85,886	—	—	—	—	99,392	185,278
Total local	2,592,227	25,921	19,231	284,548	18,258	99,392	3,039,577
Total accounts receivable	<u>\$13,140,005</u>	<u>\$ 2,026,024</u>	<u>\$ 19,231</u>	<u>\$ 284,548</u>	<u>\$ 18,258</u>	<u>\$ 99,392</u>	<u>\$15,587,458</u>

NOTE 5 - INTERFUND TRANSACTIONSInterfund Receivables/Payables (Due From/Due To)

As of June 30, 2001, interfund receivables and payables were as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 1,810,000	\$ —
Special revenue fund:		
Cafeteria	—	1,810,000
Deferred maintenance	1,080,563	—
Capital projects fund:		
Building	—	1,127,415
Debt service fund:		
Bond interest and redemption	46,852	—
Total	<u>\$ 2,937,415</u>	<u>\$ 2,937,415</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2000-01 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Building fund	General fund	\$ 2,000,000
Debt service fund	General fund	1,800,000
Deferred maintenance fund	Building fund	1,080,563
State school building fund	Capital Facilities fund	3,000,000
Corporation debt service fund	General Fund	862,569
Total		<u>\$ 8,743,132</u>

NOTE 6 - LIABILITY FOR OPEN CLAIMS

The accrued liability for open claims in the amount of \$597,000 represents an estimate of the eventual loss on claims arising prior to year end, including losses incurred but not reported. The estimate is based on an actuarial study that projected the liability through June 30, 2001.

NOTE 7 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On August 9, 2000, the district issued \$25,000,000 in Tax and Revenue Anticipation Notes (TRANS) maturing on August 8, 2001, with an interest rate of 5.0%. The TRANS are a general obligation of the district, and are payable from revenues and cash receipts to be generated by the district. There are no contractual obligations related to the issuance other than the TRANS agreement. The funds were used to supplement cash flow. Interest expense of \$1,114,583 was accrued as of June 30, 2001, on this note.

NOTE 8 - GENERAL OBLIGATION BONDS

In 1998, the district received authorization through Measure E from the June 2, 1998, election to issue up to \$40,000,000 of general obligation bonds. The bonds are general obligations of the district, and Contra Costa County is obligated to levy ad valorem taxes for the payment of interest on the principal of the bonds. The proceeds of the bonds will be used for various purposes including the following: construct a middle school in Richmond, repair leaky classroom roofs, provide students with access to additional classroom technology, improve science labs, and upgrade and repair schools throughout the district.

- On August 1, 1998, the district issued \$10,000,000 of Series A general obligation bonds to fund the acquisition and improvement of real property. The interest rate ranges from 4.35% to 7.25%. The final maturity is August 1, 2023.
- On February 1, 1999, the district issued \$10,000,000 of Series B general obligation bonds to fund the acquisition and construction of real property and improvement of real property. The interest rate ranges from 4% to 7%. The final maturity is August 1, 2023.
- On February 1, 2000, the district issued \$10,000,000 of Series C general obligation bonds to fund the acquisition and construction of real property and improvement of real property. The interest rate ranges from 5% to 8%. The final maturity is August 1, 2024.
- On August 1, 2000, the district issued \$10,000,000 of Series D general obligation bonds to fund the acquisition and construction of real property and improvement of real property. The interest rate ranges from 4.8% to 7.9%. The final maturity is August 1, 2025.

In 2000, the district received authorization through Measure M from the November 7, 2000, election to issue up to \$150,000,000 of bonds. The bonds are general obligations of the district, and Contra Costa County is obligated to levy ad valorem taxes for the payment of the interest on the principal of the bonds. The proceeds of the bonds may be used to improve the learning climate for children by upgrading educational facilities through such projects as reconstructing, modernizing, renovating, and repairing bathrooms, electrical, plumbing, heating and ventilation, leaking roofs, and fire safety systems; improving technology; making seismic upgrades; and replacing deteriorating portable classrooms and buildings.

On May 1, 2001, the district issued \$15,000,000 of Series A bonds to fund the acquisition and construction of real property and improvement of real property. The interest rate ranges from 4.8% to 7.9%. The final maturity is August 1, 2031.

The outstanding General Obligation Bond debt of West Contra Costa Unified School District as of June 30, 2001, is as follows:

Bond	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding July 1, 2000	Current Year Proceeds	Redeemed During Year	Bonds Outstanding June 30, 2001
Measure E - Series A	August 1, 1998	August 1, 2023	\$10,000,000	\$9,780,000	—	\$210,000	\$9,570,000
Measure E - Series B	February 1, 1999	August 1, 2023	10,000,000	10,000,000	—	230,000	9,770,000
Measure E - Series C	February 1, 2000	August 1, 2024	10,000,000	10,000,000	—	—	10,000,000
Measure E - Series D	February 1, 2001	August 1, 2025	10,000,000	—	\$10,000,000	—	10,000,000
Measure M - Series A	May 1, 2001	August 1, 2031	15,000,000	—	15,000,000	—	15,000,000
Totals			<u>\$55,000,000</u>	<u>\$29,780,000</u>	<u>\$25,000,000</u>	<u>\$440,000</u>	<u>\$54,340,000</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 225,000	\$ 486,051	\$ 711,051
2003	245,000	469,014	714,014
2004	260,000	450,708	710,708
2005	280,000	431,133	711,133
2006	290,000	410,470	700,470
Thereafter	8,270,000	4,192,013	12,462,013
Totals	<u>\$ 9,570,000</u>	<u>\$ 6,439,389</u>	<u>\$16,009,389</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 240,000	\$ 480,575	\$ 720,575
2003	255,000	463,250	718,250
2004	270,000	446,563	716,563
2005	285,000	430,963	715,963
2006	300,000	417,125	717,125
Thereafter	8,420,000	4,347,819	12,767,819
Totals	<u>\$ 9,770,000</u>	<u>\$ 6,586,295</u>	<u>\$16,356,295</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ —	\$ 595,640	\$ 595,640
2003	205,000	587,440	792,440
2004	220,000	570,440	790,440
2005	240,000	552,040	792,040
2006	260,000	532,040	792,040
Thereafter	9,075,000	5,888,665	14,963,665
Totals	<u>\$10,000,000</u>	<u>\$ 8,726,265</u>	<u>\$18,726,265</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ —	\$ 538,848	\$ 538,848
2003	200,000	530,973	730,973
2004	215,000	514,632	729,632
2005	230,000	497,254	727,254
2006	250,000	482,248	732,248
Thereafter	<u>9,105,000</u>	<u>5,717,164</u>	<u>14,822,164</u>
Totals	<u>\$10,000,000</u>	<u>\$ 8,281,117</u>	<u>\$18,281,117</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ —	\$ 612,666	\$ 612,666
2003	—	816,888	816,888
2004	260,000	806,488	1,066,488
2005	275,000	785,088	1,060,088
2006	285,000	762,688	1,047,688
Thereafter	<u>14,180,000</u>	<u>11,205,160</u>	<u>25,385,160</u>
Totals	<u>\$15,000,000</u>	<u>\$14,988,978</u>	<u>\$29,988,978</u>

The annual requirements to amortize Measure E, A, B, Series C, and D, and Measure M, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2001, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 465,000	\$ 2,713,780	\$ 3,178,780
2003	905,000	2,867,565	3,772,565
2004	1,225,000	2,788,831	4,013,831
2005	1,310,000	2,696,478	4,006,478
2006	1,385,000	2,604,571	3,989,571
Thereafter	<u>49,050,000</u>	<u>31,350,821</u>	<u>80,400,821</u>
Totals	<u>\$54,340,000</u>	<u>\$45,022,046</u>	<u>\$99,362,046</u>

NOTE 9 - EMERGENCY APPORTIONMENT LOANS

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

On October 13, 1997, the State agreed to restructure the remaining debt following the school district's fiscal year 1997-98 payment. The outstanding balance of \$19,964,837 is to be repaid using straight-line amortization of a 20-year term with an annual interest rate of 5.692%. The revised principal and interest payments of the loan are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 727,151	\$ 1,136,399	\$ 1,863,550
2003	768,541	1,095,009	1,863,550
2004	812,286	1,051,264	1,863,550
2005	858,522	1,005,028	1,863,550
2006	907,389	956,161	1,863,550
Thereafter	15,890,948	6,471,667	22,680,615
Totals	<u>\$ 19,964,837</u>	<u>\$ 11,715,528</u>	<u>\$ 31,680,365</u>

NOTE 10 - CERTIFICATES OF PARTICIPATION

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

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 190,000	\$ 729,322	\$ 919,322
2003	200,000	716,088	916,088
2004	215,000	702,166	917,166
2005	235,000	687,041	922,041
2006	245,000	670,713	915,713
Thereafter	9,265,000	7,324,389	16,589,389
Totals	<u>\$ 10,350,000</u>	<u>\$ 10,829,719</u>	<u>\$ 21,179,719</u>

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

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	360,000	62,738	422,738
2003	375,000	44,175	419,175
2004	385,000	25,091	410,091
2005	405,000	5,035	410,035
Totals	<u>\$ 1,525,000</u>	<u>\$ 137,039</u>	<u>\$ 1,662,039</u>

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

<u>Year Ended June 30</u>	<u>1994 Issue</u>	<u>1999 Issue</u>	<u>Total</u>
2002	\$ 919,322	\$ 422,738	\$ 1,342,060
2003	916,088	419,175	1,335,263
2004	917,166	410,091	1,327,257
2005	922,041	410,035	1,332,076
2006	915,713		915,713
Thereafter	16,589,389		16,589,389
Subtotal	21,179,719	1,662,039	22,841,758
Less interest	(10,829,719)	(137,039)	(10,966,758)
Obligations as of June 30, 2001	<u>\$ 10,350,000</u>	<u>\$ 1,525,000</u>	<u>\$11,875,000</u>

NOTE 11 - VOLUNTARY INTEGRATION PROGRAM AUDIT EXCEPTIONS

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

<u>Year Ended June 30</u>	<u>Total Payments</u>
2002	\$ 300,000
2003	300,000
2004	300,000
2005	300,000
2006	300,000
Thereafter	4,752,000
Total	<u>\$ 6,252,000</u>

NOTE 12 - COMPUTER EQUIPMENT ACQUISITION LOANS

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

Subsequent to June 30, 1993, the district restructured the debt to allow for one payment during fiscal year 1993-94 and the remaining payments of \$5,000,000, represented by \$3,470,953 of principal and \$1,529,047 of interest, payable in fiscal years 2007-08 through 2010-11. The Pooled Money Investment Rate of 4.402% as of June 30, 1993, was used to impute the interest costs implicit in the repayment amounts.

NOTE 13 - CHILD CARE FACILITIES LOAN

On February 7, 2001, the district received a no-interest loan from the California Department of Education in fiscal year 2000-01 for the development and acquisition of childcare facilities. The district received an initial amount of \$573,048 with the district repaying \$33,000 of the loan, leaving a balance of \$540,048. The loan balance is to be repaid in 10 annual installments. The repayment schedule is as follows:

<u>Year Ended June 30</u>	<u>Payments</u>
2002	\$ 54,005
2003	54,005
2004	54,005
2005	54,005
2006	54,005
Thereafter	270,023
Total	<u>\$540,048</u>

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

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2001</u>
Emergency apportionment loan	\$ 20,652,828	—	\$ 687,991	\$19,964,837
General obligation bonds	29,780,000	\$ 25,000,000	440,000	54,340,000
Certificates of participation	14,290,000	—	2,415,000	11,875,000
Voluntary integration program	6,552,000	—	300,000	6,252,000
Computer equipment acquisition loan	3,324,603	146,350	—	3,470,953
Compensated absence	1,516,770	389,271	—	1,906,041
Capital lease obligations	643,637	—	643,637	—
Child Care Facilities Loan	—	573,048	33,000	540,048
Totals	<u>\$ 76,759,838</u>	<u>\$26,108,669</u>	<u>\$4,519,628</u>	<u>\$98,348,879</u>

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

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

<u>Year Ended June 30</u>	<u>Emergency Apportionment Loan</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Voluntary Integration Program Audit Exceptions</u>	<u>Computer Equipment Acquisition Loans</u>	<u>Child Care Facilities Loan</u>	<u>Compensated Absences</u>	<u>Total</u>
2002	\$ 1,863,550	\$ 3,178,780	\$ 1,342,060	\$ 300,000	\$ —	\$ 54,005	\$ 1,906,041	\$ 8,644,43
2003	1,863,550	3,772,565	1,335,263	300,000	—	54,005	—	7,325,38
2004	1,863,550	4,013,831	1,327,257	300,000	—	54,005	—	7,558,64
2005	1,863,550	4,006,478	1,332,076	300,000	—	54,005	—	7,556,10
2006	1,863,550	3,989,571	915,713	300,000	—	54,005	—	7,122,83
Thereafter	22,362,615	80,400,821	16,589,389	4,752,000	5,000,000	270,023	—	129,374,84
Subtotals	31,680,365	99,362,044	22,841,758	6,252,000	5,000,000	540,048	1,906,041	167,582,21
Less amounts representing interest	(11,715,528)	(45,022,044)	(10,966,758)	—	(1,529,047)	—	—	(69,233,37)
Obligations as of June 30, 2001	<u>\$19,964,837</u>	<u>\$54,340,000</u>	<u>\$11,875,000</u>	<u>\$ 6,252,000</u>	<u>\$ 3,470,953</u>	<u>\$ 540,048</u>	<u>\$ 1,906,041</u>	<u>\$ 98,348,87</u>

NOTE 16 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The district participates with other Contra Costa County school districts in two joint powers agreements (JPAs): the Contra Costa County Schools Insurance Group (CCCSIG) and the Schools Excess Liability Fund (SELF). CCCSIG enters into reinsurance agreements whereby it cedes various amounts of risk to other insurance companies. Risks ceded to insurance companies are treated as though they are not risks for which CCCSIG is liable. CCCSIG's excess workers' compensation policies were purchased with a retention amount of \$500,000 per claim and its members are covered by insurance for individual claims to the statutory maximum. SELF arranges for and provides liability coverage for its member public educational agencies for claims of \$1 million to \$14 million per occurrence. The district pays premiums commensurate with the level of coverage requested. The agreements between the district and both JPAs contain retrospective premium provisions. As a result, the district may be assessed additional premiums or may receive premium refunds.

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

Condensed financial information for CCCSIG and SELF for the year ended June 30, 2001, is as follows:

	CCCSIG	SELF
Total assets	\$ 53,092,217	\$ 113,781,050
Total liabilities	(26,292,005)	(80,946,594)
Net assets available for claims	<u>\$ 26,800,212</u>	<u>32,834,456</u>
Total revenues	\$ 17,120,620	\$ 17,248,961
Total expenses	(18,037,857)	(43,936,893)
Net increase (decrease) in net assets available for claims	<u>\$ (917,237)</u>	<u>\$ (26,687,932)</u>

The district's participating percentage in SELF as of June 30, 2001, has not been determined by SELF's governing board.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

1996-97 Excused Absences

The State Controller's Office (SCO) conducted the original audit of the district's financial statements in 1996-97 and reported an excused absence finding of 0.33 average daily attendance (ADA) or less than \$2,000. The district revised its ADA report at that time, as recommended by the SCO. Subsequently, the SCO performed a re-audit of the district's 1996-97 excused absences reported for ADA. The audit findings recommended the disallowance of 609 out of a total 1,589 reported excused absence ADA, with recommended repayment of over \$2 million for each year beginning in 1996-97. The district has appealed the findings and, in the meantime, has set aside a fund balance reserve of \$3 million under the direction of the State-appointed trustee. A ruling is expected prior to June 30, 2002. However, the actual liability, if any, cannot be determined at this time.

Litigation

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

State and Federal Allowances, Awards, and Grants

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

NOTE 18 - EMPLOYEE RETIREMENT SYSTEMS

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

PERS

Plan Description:

The district contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy:

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. There was no required employer contribution rate for fiscal year 2000-01. The contribution requirements of the plan members are established by state statute. For the fiscal years ending June 30, 2001, 2000, and 1999, the district did not contribute to CalPERS.

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 STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy:

Active plan members are required to contribute 8% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$8,474,761, \$7,593,978, and \$6,931,968, respectively, and equal 100% of the required contributions for each year.

NOTE 19 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 18, the district provides post-retirement health care benefits to all employees who (1) have been employed by the district continuously for a period of ten years immediately prior to retirement if the retiree is 65 years or older; (2) have been employed continuously by the district for a period of ten years immediately prior to retirement if the employee retires at less than age 65 and has accumulated a total of 30 years in public education including the ten years with the district; and (3) have accumulated one additional year (over the ten-year minimum) in the district for each year under age 65 at the time of retirement, up to a total of ten additional years (for example, a 58-year-old retiree must have accumulated 17 years of district service immediately prior to retirement). On June 30, 2001, 1,757 retirees met these requirements.

The district offers retirees a choice of three health maintenance organizations (HMOs) for health benefits and a supplemental Medicare Part A Plan; dental benefits are offered through one insurer. The district pays 100% of the monthly HMO and dental benefit premiums for retirees and their spouses. All eligible retirees and their spouses who qualify for Medicare benefits must apply and pay premiums for Medicare coverage as prescribed by law. Expenditures for post-retirement health care benefits are recognized when paid. During the year ended June 30, 2001, expenditures of \$5,786,114 were recognized for post-retirement health care.

NOTE 20 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On August 22, 2001, the district issued \$23,000,000 in Tax and Revenue Anticipation notes (TRANS) maturing on August 21, 2002, with an interest rate of 3.25%. The TRANS are a general obligation of the district, and are payable from revenues and cash receipts to be generated by the district. There are no contractual obligations related to the issuance other than the TRANS agreement. The funds were used to supplement cash flow.

NOTE 21 - ESCROW AGREEMENT FOR SECURITY DEPOSITS IN LIEU OF RETENTION

On August 11, 1999, the district entered into an escrow agreement with the general contractor of the Hercules Middle/High School Project to create an escrow account to deposit cash and/or securities as a substitute for retention required to be withheld by the district. The market value of the securities shall be at least equal to the cash amount then required to be withheld as retention. The securities are held in the name of the district and said securities designate the contractor as the beneficial owner. As of June 30, 2001, the market value of holdings in the escrow account total \$3,025,898 (carrying value \$2,950,000). The district has the right to draw upon the securities in the event of default by the contractor. Once the district certifies that the contract is complete, the securities will be released to the contractor.

NOTE 22 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The district was the recipient of on-behalf payments made by the State of California to STRS and to CalPERS for K-12 education. These payments consist of state general fund contributions of \$5,175,764 to STRS (5.0385% of salaries subject to STRS) and \$27,532 to CalPERS (0.092% of salaries subject to CalPERS).

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 District of \$40,000,000 West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2000, Series B (the "Series B Bonds"). The Series B Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on January 23, 2002 (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 Series B Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The District shall, or upon written direction shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which date would be March 31), commencing on March 31, 2002, with the report for the 2000-2001 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial

statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall give notice of such change to the Municipal Securities Rulemaking Board and each State Repository. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

(c) The Dissemination Agent shall:

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

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

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

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

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.

(c) 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.

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 Series B Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law. The Dissemination Agent shall have no role nor any responsibility for such determination.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series B Bond owners 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 prepayment or payment in full of all of the Series B Bonds.

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 Dissemination Agent, with or without appointing as successor Dissemination

Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing thirty days' written notice to 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) or 4, 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 Series B Bonds, or type of business conducted;

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Series B Bonds in the manner 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 Series B Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Municipal Securities Rulemaking Board and each Repository.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. 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 Series B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section 10 shall survive resignation or removal of the Dissemination Agent and payment of the Series B Bonds.

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 Series B Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

WEST CONTRA COSTA UNIFIED SCHOOL
DISTRICT

By _____
Superintendent

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: \$40,000,000 West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2000, Series B

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 Series B Bonds as required by Section 5.07 of the resolution adopted by the Board of Education of the District on January 23, 2002. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

WEST CONTRA COSTA UNIFIED SCHOOL
DISTRICT

By _____
Title _____

APPENDIX D

SPECIMEN OF BOND INSURANCE POLICY

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Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, 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 and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, reading "Richard M. Reif".

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in cursive script, appearing to read "Quincy Brown".

Authorized Officer

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001



A GE Capital Company

Endorsement

To Financial Guaranty Insurance Company

Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder 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.

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 Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, reading "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in cursive script, likely reading "Quincy Brown".

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001



A GE Capital Company

**Mandatory California State
Amendatory Endorsement
To Financial Guaranty Insurance Company
Insurance Policy**

Policy Number:

Control Number: 0010001

The insurance provided by this Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

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 Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, reading "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in cursive script, reading "Quincy Brown".

**Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent**

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001



A GE Capital Company

Mandatory California State Amendatory Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

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 Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in cursive script, reading "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in cursive script, reading "Quincy Brown".

**Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent**

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