

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Richmond, California

FINANCIAL STATEMENTS
June 30, 2012

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Contra Costa Unified School District, as of and for the year ended June 30, 2012, which collectively comprise West Contra Costa Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of West Contra Costa Unified School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 on our consideration of West Contra Costa Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis from pages 3 to 14, and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule on page 58 and the Schedule of Other Postemployment Benefits Funding Progress on page 59 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Contra Costa Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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Bruce Harter, Ph.D.
Superintendent of Schools

Sheri Gamba
Associate Superintendent
Business Services

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

Management's discussion and analysis of West Contra Costa Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; GASB Statement No. 38, *Certain Financial Statement Note Disclosures* issued in 2001 and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued in 2004. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL AND EDUCATIONAL HIGHLIGHTS

The District's financial position has strengthened over the past year. Overall revenues of \$365.9 million exceeded expenditures by \$19.3 million. Total net assets increased by 9.91% over the course of the year.

The 2011-12 financial statements cap off another year of uncertainty as it relates to the State and National economy. The economic downturn has caused the District to be funded at lower levels than 2004-05. In spite of this challenge, the District was able to pay off debt and maintain prudent reserves in case of future economic volatility.

Within the District this meant a constant need to track and revise estimates of an ever-changing funding stream from our State. State Revenue deficits were a net 20.6% on the per pupil revenues. In addition to the funding reductions, the State also continued the revenue deferral program so at the close of 2011-12 the District was owed millions by the State for programs operated during 2011-12.

As the District prepares for the 2012-13 school year it is faced the major challenge of a State budget which is again facing deficits and instability due to the uncertainty of the outcome of a State Proposition designed to maintain funding for schools. The District has implemented and maintained budget reductions and has kept pace with rising costs. The community continues to show strong support for education and the District through the passage of a parcel tax in 2008 and a general obligation bond authorization for capital improvement in 2010. The District has tackled the difficult task of managing a budget in order to remain solvent during these tough times.

REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

The District has three kinds of funds:

Governmental Funds

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

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

The governmental fund statements provide a detailed short-term view. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this kind of information does not encompass the additional long-term focus of the District-wide statements, additional information is provided on page 18 that explains the differences (or relationships) between them.

Proprietary Funds

The proprietary fund category includes Internal Service Funds.

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

- The District has one internal fund: a self-insurance fund.

Fiduciary Funds

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

THE DISTRICT AS A WHOLE

Net Assets – The District's combined net assets were higher on June 30, 2012 than they were the year before—increasing by \$19.3 million to \$213.9 million as reflected on the next page.

Net Assets

| | GOVERNMENTAL ACTIVITIES | |
|---|----------------------------|-----------------------|
| | 2012 | 2011 |
| Current Assets | \$ 304,687,783 | \$ 276,903,173 |
| Capital Assets | 971,032,972 | 886,771,971 |
| Total Assets | 1,275,720,755 | 1,163,675,144 |
| Current Liabilities | 52,541,526 | 68,375,925 |
| Long-term Liabilities | 1,009,279,010 | 900,689,681 |
| Total Liabilities | 1,061,820,536 | 969,065,606 |
| Net Assets: | | |
| Invested in Capital Assets, net of related debt | 134,455,424 | 141,750,782 |
| Restricted For: | | |
| Capital Projects | 50,488,711 | 45,800,912 |
| Debt Service | 47,714,715 | 42,321,459 |
| Educational Programs | 26,055,436 | 27,130,217 |
| Other Purposes | 8,811,871 | 18,390,402 |
| Unrestricted | (53,625,938) | (80,784,234) |
| Total Net Assets | \$ 213,900,219 | \$ 194,609,538 |

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

- Through the bond program, together with State apportionments for school facilities, the District has continued construction of new schools and has continued the process of renovating its existing schools. These activities have increased the capital assets of the District.
- The Board was able to increase District reserves and now maintains \$13 million in the District's Special Reserve Fund as insurance toward potential cuts that may be enacted by the State due to the mid-year trigger language adopted along with the State's budget for 2012-13.
- The District was able to pay off the State loan six years early, and paid off other long term debt from the 1990's, releasing the District from the oversight of a State Trustee.

Changes in Net Assets – The District’s total revenues exceeded its expenditures by \$19.3 million. Property taxes, State Aid and other general sources accounted for most of the District’s revenues contributing approximately 66 cents per every dollar of revenue received while Federal, State and local grants and contributions for specific purposes provided approximately 34 cents of every dollar of revenue.

| | GOVERNMENTAL ACTIVITIES | |
|------------------------------------|------------------------------------|----------------------|
| | 2012 | 2011 |
| Revenues: | | |
| Program revenues: | | |
| Charges for Services | \$ 1,018,569 | \$ 1,094,319 |
| Operating Grants and Contributions | 90,954,406 | 92,093,881 |
| Capital Grants and Contributions | 15,847,349 | 20,406,400 |
| Total Program Revenues | 107,820,324 | 113,594,600 |
| General Revenues: | | |
| Property Taxes | 128,963,108 | 115,691,726 |
| Federal and State Aid | 124,022,794 | 123,569,138 |
| Interest and Investment Earnings | 706,458 | 624,924 |
| Interagency revenues: | | |
| Miscellaneous | 4,366,687 | 4,038,401 |
| Total General Revenues | 258,059,047 | 243,924,189 |
| Total Revenues | 365,879,371 | 357,518,789 |
| Expenses: | | |
| Instruction | 166,712,977 | 164,958,093 |
| Support Services: | | |
| Administrative | 43,025,262 | 40,490,286 |
| Student Support | 41,317,106 | 36,463,241 |
| Non-Student Support | 16,304,857 | 18,240,340 |
| Plant Services | 30,790,480 | 34,559,467 |
| Ancillary Services | 7,829,975 | 7,663,001 |
| Transfers between agencies | 2,802,547 | 922,296 |
| Community Services | 155,465 | 135,887 |
| Interest on long-term debt | 37,650,021 | 42,094,551 |
| Total Expenses | 346,588,690 | 345,527,162 |
| Change in Net Assets | \$ 19,290,681 | \$ 11,991,627 |

Governmental Activities

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

The cost of all programs was \$346.6 million for this fiscal year. The users of District programs as well as Federal, State and local governments who provided funds for specific programs provided \$107.8 million. The balance of the District's expenditures was paid for by State apportionments for ADA and by local property taxes. Property taxes comprised of \$128,963,108 of this amount while Federal and State education aid formulas contributed the remaining \$124,022,794.

| | Total Cost | Net (Expense) Revenue | Total Cost | Net (Expense) Revenue |
|----------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|
| | 2012 | 2012 | 2011 | 2011 |
| Instruction | \$ 166,712,977 | \$ (106,595,668) | \$ 164,958,093 | \$ (103,189,205) |
| Support Services | 100,647,225 | (60,184,844) | 95,193,867 | (58,101,561) |
| Facilities and Plant | 30,790,480 | (29,400,850) | 34,559,467 | (26,097,581) |
| Ancillary Services | 7,829,975 | (2,269,491) | 7,663,001 | (1,986,159) |
| Other | 40,608,033 | (40,317,513) | 43,152,734 | (42,558,056) |
| Total | \$ 346,588,690 | \$ (238,768,366) | \$ 345,527,162 | \$ (231,932,562) |

THE DISTRICT'S FUNDS

The financial position of the District as a whole is reflected in its governmental fund statements. As the District completed the year, its governmental funds reported a combined fund balance of \$249 million, above last year's combined ending fund balance of \$227 million. This increase is due to activities in the District's Building Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises the annual operating budget several times due to changes in State and federal funding. The District is required to prepare financial reports for the school board twice a year. This is done through the preparation of the First and Second Interim Reports, which are prepared based on information available as of October 31 and January 31 respectively. Budget adjustments and revisions can be classified into the following types:

- Appropriation of prior year ending fund balances and deferred revenues derived primarily from Federal, State and local government sources for specific programs.
- New appropriations or budget augmentations for programs and expenditures that were not known or anticipated at the time of budget development.

The final revised general fund budget of the District reflected anticipated revenues of \$274.2 million against appropriated expenditures of \$297.7 million thus anticipating a decrease of \$23.5 million in overall fund balance. This variance is due to potential expenditure of prior year restricted grant fund balances and spending some of the special reserve fund balance.

Actual revenues were less than anticipated while actual expenditures were also less than anticipated. The combination of these variances resulted in a higher \$21 million than projected (\$23.5 million) in ending fund balance.

Summary of Revenues for Governmental Function

The following schedule represents a summary of the general operating fund, special revenue fund, capital projects fund and debt service fund revenues for the fiscal year ended June 30, 2012, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

| | 2012 | Percent of | Increase (Decrease) From Prior Fiscal Year | Percent Increase (Decrease) From Prior Fiscal Year |
|-----------------------|----------------|------------|---|--|
| | Fiscal Year | Total | Fiscal Year | Prior Fiscal Year |
| Revenue Limit Sources | \$ 147,846,255 | 40% | \$ (68,371) | (.05%) |
| Federal | 50,777,415 | 14% | 4,817,976 | 10.48% |
| Other State | 87,358,547 | 24% | (9,371,454) | (9.69%) |
| Other Local | 81,062,365 | 22% | 14,241,562 | 21.31% |
| Total Revenues | \$ 367,044,582 | 100% | \$ 9,619,713 | 2.69% |

The following schedule represents a summary of the general operating fund, special revenue fund, capital projects fund, and bond interest & redemption fund expenditures for the fiscal year ended June 30, 2012, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

Summary of Expenditures by Object Code

| | 2012 | Percent of | Increase (Decrease) From Prior Fiscal Year | Percent Increase (Decrease) From Prior Fiscal Year |
|------------------------------------|----------------|------------|---|--|
| | Fiscal Year | Total | Fiscal Year | Prior Fiscal Year |
| Certificated salaries | \$ 109,161,301 | 24.42% | \$ 668,284 | 0.62% |
| Classified salaries | 47,932,113 | 10.73% | 2,818,924 | 6.25% |
| Employee benefits | 64,502,797 | 14.43% | 3,669,852 | 6.03% |
| Books and supplies | 21,427,287 | 4.80% | 2,477,401 | 13.07% |
| Services, other operation expenses | 52,448,731 | 11.74% | 2,289,965 | 4.57% |
| Capital outlay | 91,707,558 | 20.52% | (2,890,523) | -3.06% |
| Debt service: | | | | |
| Principal | 27,357,086 | 6.12% | 7,242,818 | 36.01% |
| Interest | 32,297,154 | 7.23% | 335,858 | 1.05% |
| Other outgo | 29,617 | 0.01% | (338,678) | -91.96% |
| Total Expenditures | \$ 446,863,644 | 100% | \$ 16,273,901 | 3.78% |

CAPITAL ASSET AND DEBT ADMINISTRATION

By June 30, 2012, the District had invested \$1.2 billion in a broad range of capital assets including land, school buildings, athletic facilities, computer and audio-visual equipment as well as support facilities as reflected in the following table. Additional information about the capital assets of the District can also be found in footnote 4. Total depreciation expense for the year was \$19.9 million while additions to net capital assets amounted to approximately \$104.2 million.

Construction, planning and design activities continued during the year related to the renovation of the District's elementary and secondary schools.

Capital Assets

| | <u>Governmental Activities</u> | | | <u>Balance, June 30, 2012</u> |
|---|----------------------------------|------------------|-------------------|-----------------------------------|
| | <u>Balance, July 1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | |
| Governmental activities: | | | | |
| Land | \$ 52,371,291 | \$ - | \$ - | \$ 52,371,291 |
| Site Improvements | 61,980,429 | - | - | 61,980,429 |
| Buildings | 803,423,280 | 166,527 | - | 803,589,807 |
| Machinery and Equipment | 12,838,502 | 1,367,911 | 212,663 | 13,993,750 |
| Construction In Progress | 201,049,921 | 102,671,344 | - | 303,721,265 |
| Totals at historical cost | 1,131,663,423 | 104,205,782 | 212,663 | 1,235,656,542 |
| Less: accumulated depreciation | | | | |
| Site Improvements | (39,520,162) | (1,526,023) | - | (41,046,185) |
| Buildings | (198,590,935) | (17,458,815) | - | (216,049,750) |
| Machinery and Equipment | (6,780,355) | (919,324) | (172,044) | (7,527,635) |
| Total accumulated depreciation | (244,891,452) | (19,904,162) | (172,044) | (264,623,570) |
| Governmental activities, capital Assets, Net | \$ 886,771,971 | \$ 84,301,620 | \$ 40,619 | \$ 971,032,972 |

Long-Term Liabilities

In recent years the District has received approval from the voters to issue \$1.2 billion in bonds. Measure E was approved for \$40 million in November 1998 to fund various capital improvement projects and to construct a new middle school. Measure M in the amount of \$150 million was approved in November 2000 to renovate the elementary schools of the District. Measure D was approved in March 2002 to renovate the secondary schools of the District as well as provide additional funds to supplement Measure M. This measure is in the amount of \$300 million. Measure J was approved for \$400 million in November 2005 to continue repairing all school facilities, improve classroom safety and technology. Finally, Measure D was approved for \$380 million in 2010 and will be used toward the continued renovation and rebuilding program for elementary and secondary schools. The District will continue to sell and issue bonds authorized by these measures in amounts necessary to meet the cash flow needs of the construction projects as they progress over the next several years.

Long-Term Liabilities (continued)

At year end the District had \$1,009.3 million in general obligation bonds and other long-term liabilities outstanding, an increase over the prior year of \$90.9 million.

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

| | <u>Governmental Activities</u> | | | | |
|------------------------------------|--------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|
| | Balance | | | Balance | Amounts |
| | July 1, 2011 | Additions | Deductions | June 30, 2012 | Due Within One Year |
| Emergency Apportionment Loan | \$ 9,368,387 | \$ - | \$ 9,368,387 | \$ - | - |
| General Obligation Bonds | 741,276,968 | 185,565,000 | 105,263,143 | 821,578,849 | 115,128,713 |
| Accreted Interest | 50,779,461 | 9,983,201 | - | 60,762,662 | |
| GO Bond Premium | 15,857,512 | 11,036,159 | 1,540,467 | 25,353,204 | 905,290 |
| 1994 Certificates of Participation | 8,890,000 | - | 475,000 | 8,415,000 | 500,000 |
| Voluntary Integration Program | 872,000 | - | 872,000 | - | - |
| Computer equipment acquisition | 3,576,032 | - | 3,576,032 | - | - |
| Compensated absences | 3,490,764 | - | 68,637 | 3,422,127 | - |
| OPEB Obligation | 84,111,607 | 5,606,738 | - | 89,718,345 | - |
| Child care facilities loan | 126,347 | - | 97,524 | 28,823 | 28,823 |
| Total Long-term liabilities | <u>\$ 918,349,102</u> | <u>\$ 212,191,098</u> | <u>\$ 121,261,190</u> | <u>\$ 1,009,279,010</u> | <u>\$ 116,562,826</u> |

The state limits the amount of general obligation debt the District can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District has applied for and been granted two waivers of this limit by the California State Board of Education, one for Measure J and one for Measure D 2010. These waivers allow the District to issue bonds up to an amount not to exceed 3.5% of assessed value for the Measure J and 5.0% of assessed value for the Measure D 2010 bond authorization.

Notes to Basic Financial Statements

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of California continues to experience budget difficulties due to the economic crisis. The State Budget for 2012-13 includes trigger reductions that are authorized to be implemented in the event the voters do not approve Proposition 30 in November. The District has prepared for mid-year triggers by setting aside additional reserves. However, since the majority of District revenue comes from the State, we will most certainly continue to experience budget challenges in this year and in the coming years if the mid-year triggers become ongoing cuts. The State's current cash deferral program puts an additional strain on the District resources, which become a greater concern if the District is forced to use its reserves due to the economic crisis. The passage of Proposition 30 would help mitigate the cash flow concerns and provide stability to the District's revenue.

BASIC FINANCIAL STATEMENTS

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

**Governmental
Activities**

ASSETS

| | |
|--|----------------------|
| Cash and investments (Note 2) | \$ 230,746,874 |
| Receivables | 62,248,996 |
| Prepaid expenditures | 10,850,644 |
| Stores inventory | 841,269 |
| Non-depreciable capital assets (Note 4) | 356,092,556 |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | <u>614,940,416</u> |
| Total assets | <u>1,275,720,755</u> |

LIABILITIES

| | |
|--|----------------------|
| Accounts payable | 50,330,681 |
| Unpaid claims and claim adjustment expenses (Note 5) | 500,000 |
| Deferred revenue | 1,710,845 |
| Long-term liabilities (Note 6): | |
| Due within one year | 116,562,826 |
| Due after one year | <u>892,716,184</u> |
| Total liabilities | <u>1,061,820,536</u> |

NET ASSETS

| | |
|---|-----------------------|
| Invested in capital assets, net of related debt | 134,455,424 |
| Restricted (Note 7) | 133,070,733 |
| Unrestricted | <u>(53,625,938)</u> |
| Total net assets | <u>\$ 213,900,219</u> |

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

| | | <u>Program Revenues</u> | | | <u>Net (Expense) Revenues and Changes in Net Assets</u> |
|---|-----------------------|-------------------------------------|---|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| <u>Expenses</u> | | | | | |
| Governmental activities (Note 4): | | | | | |
| Instruction | \$ 166,712,977 | \$ - | \$ 44,269,960 | \$ 15,847,349 | (106,595,668) |
| Instruction-related services: | | | | | |
| Supervision of instruction | 22,852,002 | - | 14,755,051 | - | (8,096,951) |
| Instructional library, media and technology | 3,367,479 | - | 522,710 | - | (2,844,769) |
| School site administration | 16,805,781 | - | 211,976 | - | (16,593,805) |
| Pupil services: | | | | | |
| Home-to-school transportation | 8,358,682 | - | 2,031,350 | - | (6,327,332) |
| Food services | 14,004,061 | 966,949 | 12,961,875 | - | (75,237) |
| All other pupil services | 18,954,363 | - | 6,932,788 | - | (12,021,575) |
| General administration: | | | | | |
| Data processing | 3,967,066 | - | 44,460 | - | (3,922,606) |
| All other general administration | 12,337,791 | 40,836 | 1,994,386 | - | (10,302,569) |
| Plant services | 30,790,480 | 10,784 | 1,378,846 | - | (29,400,850) |
| Ancillary services | 7,829,975 | - | 5,560,484 | - | (2,269,491) |
| Community services | 155,465 | - | 1,651 | - | (153,814) |
| Other outgo | 2,802,547 | - | 288,869 | - | (2,513,678) |
| Interest on long-term liabilities | 37,650,021 | - | - | - | (37,650,021) |
| | <u>\$ 346,588,690</u> | <u>\$ 1,018,569</u> | <u>\$ 90,954,406</u> | <u>\$ 15,847,349</u> | <u>\$ (238,768,366)</u> |
| Total governmental activities | | | | | |
| General revenues: | | | | | |
| Taxes and subventions: | | | | | |
| Taxes levied for general purposes | | | | | 58,184,313 |
| Taxes levied for debt service | | | | | 55,005,390 |
| Taxes levied for other specific purposes | | | | | 15,773,405 |
| Federal and state aid not restricted to specific purposes | | | | | 124,022,794 |
| Interest and investment earnings | | | | | 706,458 |
| Miscellaneous | | | | | 4,366,687 |
| | | | | | <u>258,059,047</u> |
| Total general revenues | | | | | <u>258,059,047</u> |
| Change in net assets | | | | | 19,290,681 |
| Net assets, July 1, 2011 | | | | | <u>194,609,538</u> |
| Net assets, June 30, 2012 | | | | | <u>\$ 213,900,219</u> |

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

| | <u>General Fund</u> | <u>Building Fund</u> | <u>Bond Interest and Redemption Fund</u> | <u>All Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------|--|------------------------------------|---|
| ASSETS | | | | | |
| Cash and investments: | | | | | |
| Cash in County Treasury | \$ 31,216,697 | \$ 55,843,525 | \$ 46,763,535 | \$ 12,931,234 | \$ 146,754,991 |
| Cash awaiting deposit | 1,554 | - | - | 1,353 | 2,907 |
| Cash on hand and in banks | 15,252 | - | - | 27,815 | 43,067 |
| Cash in revolving fund | 70,000 | - | - | - | 70,000 |
| Cash with Fiscal Agent | - | 11,399,707 | - | 1,042,373 | 12,442,080 |
| Investments | 1,729 | 67,000,002 | - | 2,080,058 | 69,081,789 |
| Receivables | 57,061,180 | 149,283 | 30,807 | 5,007,726 | 62,248,996 |
| Due from other funds | - | - | - | 13,200,000 | 13,200,000 |
| Stores inventory | 267,465 | - | - | 573,804 | 841,269 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 88,633,877</u> | <u>\$ 134,392,517</u> | <u>\$ 46,794,342</u> | <u>\$ 34,864,363</u> | <u>\$ 304,685,099</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 11,070,429 | \$ 28,424,528 | \$ - | \$ 1,547,283 | \$ 41,042,240 |
| Due to other funds | 13,000,000 | - | - | 200,000 | 13,200,000 |
| Deferred revenue | 1,629,108 | - | - | 81,737 | 1,710,845 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>25,699,537</u> | <u>28,424,528</u> | <u>-</u> | <u>1,829,020</u> | <u>55,953,085</u> |
| Fund balances: | | | | | |
| Nonspendable | 337,465 | - | - | 573,804 | 911,269 |
| Restricted | 26,055,436 | 105,967,989 | 46,794,342 | 32,461,539 | 211,279,306 |
| Assigned | 14,368,392 | - | - | - | 14,368,392 |
| Unassigned | 22,173,047 | - | - | - | 22,173,047 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>62,934,340</u> | <u>105,967,989</u> | <u>46,794,342</u> | <u>33,035,343</u> | <u>248,732,014</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 88,633,877</u> | <u>\$ 134,392,517</u> | <u>\$ 46,794,342</u> | <u>\$ 34,864,363</u> | <u>\$ 304,685,099</u> |

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total fund balances - Governmental Funds \$ 248,732,014

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,235,656,542 and the accumulated depreciation is \$264,623,570 (Note 4). 971,032,972

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2012 consisted of (Note 6):

| | | |
|---|--------------------|-----------------|
| General Obligation Bonds and premium | \$ (846,932,053) | |
| Accreted interest | (60,762,662) | |
| Certificates of Participation | (8,415,000) | |
| Child care facilities loan | (28,823) | |
| Other Postemployment Benefits (OPEB) (Note 9) | (89,718,345) | |
| Compensated absences | <u>(3,422,127)</u> | |
| | | (1,009,279,010) |

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net assets of the Self-Insurance Fund are: 1,820,990

In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (9,257,391)

Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds. 10,850,644

Total net assets - governmental activities \$ 213,900,219

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

| | <u>General Fund</u> | <u>Building Fund</u> | <u>Bond Interest and Redemption Fund</u> | <u>All Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------|--|------------------------------------|---|
| Revenues: | | | | | |
| Revenue limit sources: | | | | | |
| State apportionment | \$ 92,770,030 | \$ - | \$ - | \$ - | \$ 92,770,030 |
| Local sources | <u>55,076,225</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>55,076,225</u> |
| Total revenue limit | <u>147,846,255</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>147,846,255</u> |
| Federal sources | 33,510,605 | 906,437 | 3,114,276 | 13,246,097 | 50,777,415 |
| Other state sources | 63,344,038 | - | 675,182 | 23,339,327 | 87,358,547 |
| Other local sources | <u>22,418,641</u> | <u>617,357</u> | <u>55,605,009</u> | <u>2,421,358</u> | <u>81,062,365</u> |
| Total revenues | <u>267,119,539</u> | <u>1,523,794</u> | <u>59,394,467</u> | <u>39,006,782</u> | <u>367,044,582</u> |
| Expenditures: | | | | | |
| Certificated salaries | 106,626,682 | - | - | 2,534,619 | 109,161,301 |
| Classified salaries | 41,184,114 | 796,557 | - | 5,951,442 | 47,932,113 |
| Employee benefits | 61,331,324 | 317,694 | - | 2,853,779 | 64,502,797 |
| Books and supplies | 10,708,520 | 4,313,933 | - | 6,404,834 | 21,427,287 |
| Contract services and operating expenditures | 42,511,674 | 8,796,944 | - | 1,140,113 | 52,448,731 |
| Capital outlay | 575,432 | 88,220,843 | - | 2,911,283 | 91,707,558 |
| Other outgo | 29,617 | - | - | - | 29,617 |
| Debt service: | | | | | |
| Principal retirement | 6,201,110 | - | 12,968,143 | 8,187,833 | 27,357,086 |
| Interest | <u>366,167</u> | <u>-</u> | <u>31,656,184</u> | <u>274,803</u> | <u>32,297,154</u> |
| Total expenditures | <u>269,534,640</u> | <u>102,445,971</u> | <u>44,624,327</u> | <u>30,258,706</u> | <u>446,863,644</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(2,415,101)</u> | <u>(100,922,177)</u> | <u>14,770,140</u> | <u>8,748,076</u> | <u>(79,819,062)</u> |
| Other financing sources (uses): | | | | | |
| Proceeds from issuance of general obligation bonds | - | 100,000,000 | 85,565,000 | - | 185,565,000 |
| Defeasement of general obligation bonds | - | - | (92,295,000) | - | (92,295,000) |
| Other proceeds from debt issuance | - | 1,930,040 | 9,106,119 | - | 11,036,159 |
| Other financing uses | - | - | (2,376,119) | - | (2,376,119) |
| Operating transfers in | 8,446,212 | - | - | - | 8,446,212 |
| Operating transfers out | <u>-</u> | <u>(5,700,000)</u> | <u>-</u> | <u>(2,746,212)</u> | <u>(8,446,212)</u> |
| Total other financing sources (uses) | <u>8,446,212</u> | <u>96,230,040</u> | <u>-</u> | <u>(2,746,212)</u> | <u>101,930,040</u> |
| Net changes in fund balances | 6,031,111 | (4,692,137) | 14,770,140 | 6,001,864 | 22,110,978 |
| Fund balances, July 1, 2011 | <u>56,903,229</u> | <u>110,660,126</u> | <u>32,024,202</u> | <u>27,033,479</u> | <u>226,621,036</u> |
| Fund balances, June 30, 2012 | <u>\$ 62,934,340</u> | <u>\$ 105,967,989</u> | <u>\$ 46,794,342</u> | <u>\$ 33,035,343</u> | <u>\$ 248,732,014</u> |

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

For the Year Ended June 30, 2012

Net changes in fund balances - Total Governmental Funds \$ 22,110,978

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

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4). \$ 104,205,782

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (19,904,162)

Gain or loss from disposal of capital assets are reported as revenue for entire proceeds in the governmental funds, but in the statement of activities, only the resulting gain or loss is reported (Note 4). (40,619)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as revenue in the period it is incurred. In government-wide statements, the premium or discount is amortized as interest over the life of the debt (Note 6). 1,540,467

Repayment or refunding of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 6). 119,652,086

Issuance costs and discounts related to the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the statement of net assets. 738,606

In governmental funds, proceeds from debt are recognized as Other Financing Sources, but in the statement of net assets as an increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were (Note 6) (196,601,159)

In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. 3,089,865

Accreted interest on capital appreciation bonds is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 6). (9,983,201)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. Change in net assets for the Self-Insurance Fund was. 20,139

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

(Continued)

For the Year Ended June 30, 2012

In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was (Notes 6 and 9).

\$ (5,606,738)

In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).

68,637 \$ (2,820,297)

Change in net assets of governmental activities

\$ 19,290,681

See accompanying notes to financial statements.

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

June 30, 2012

ASSETS

| | |
|-------------------------|------------------|
| Cash and investments: | |
| Cash in County Treasury | \$ 2,351,989 |
| Cash with Fiscal Agent | <u>51</u> |
| Total assets | <u>2,352,040</u> |

LIABILITIES

| | |
|---|----------------|
| Accounts payable | 31,050 |
| Unpaid claims and claim adjustment expenses | <u>500,000</u> |
| Total liabilities | <u>531,050</u> |

NET ASSETS

| | |
|------------|----------------------------|
| Restricted | <u><u>\$ 1,820,990</u></u> |
|------------|----------------------------|

See accompanying notes to financial statements.

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

SELF-INSURANCE FUND

For the Year Ended June 30, 2012

| | |
|---------------------------------|----------------------------|
| Operating revenues: | |
| Self-insurance premiums | <u>\$ 2,361,163</u> |
| Operating expenses: | |
| Classified Salaries | 62,344 |
| Employee Benefits | 33,196 |
| Books and supplies | 48,366 |
| Contract services | <u>2,197,118</u> |
| Total operating expenses | <u>2,341,024</u> |
| Operating income | 20,139 |
| Total net assets, July 1, 2011 | <u>1,800,851</u> |
| Total net assets, June 30, 2012 | <u><u>\$ 1,820,990</u></u> |

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2012

| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Cash received from self-insurance premiums | \$ 2,361,163 |
| Cash paid for salaries and benefits | (95,540) |
| Cash paid for books and supplies | (48,366) |
| Cash paid for claims | (1,350,572) |
| Cash paid for contract services | <u>(1,063,164)</u> |
| Net cash used in operating activities | (196,479) |
| Cash and investments, July 1, 2011 | <u>2,548,519</u> |
| Cash and investments, June 30, 2012 | <u><u>\$ 2,352,040</u></u> |
| Reconciliation of operating income to net cash used in operating activities: | |
| Operating income | \$ 20,139 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Decrease in accounts payable | <u>(216,618)</u> |
| Net cash used in operating activities | <u><u>\$ (196,479)</u></u> |

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2012

| | <u>Trust Fund</u> | <u>Agency Funds</u> | | |
|---|---------------------------------------|--------------------------------------|-----------------------------------|----------------------|
| | <u>Retiree Benefits Trust</u> | <u>Payroll Clearing Fund</u> | <u>Student Body Funds</u> | <u>Total</u> |
| ASSETS | | | | |
| Cash in County Treasury (Note 2) | \$ 5,637,392 | \$ 3,176,081 | \$ - | \$ 8,813,473 |
| Cash on hand and in banks (Note 2) | - | - | 848,354 | 848,354 |
| Investments (Note 2) | 7,173,359 | - | - | 7,173,359 |
| Receivables | <u>9,124</u> | <u>42,611</u> | <u>-</u> | <u>51,735</u> |
| Total assets | <u>12,819,875</u> | <u>3,218,692</u> | <u>848,354</u> | <u>16,886,921</u> |
| LIABILITIES | | | | |
| Accounts payable | - | 3,218,692 | - | 3,218,692 |
| Due to student groups | <u>-</u> | <u>-</u> | <u>848,354</u> | <u>848,354</u> |
| Total liabilities | <u>-</u> | <u>3,218,692</u> | <u>848,354</u> | <u>4,067,046</u> |
| NET ASSETS | | | | |
| Held in trust for retiree benefits (Note 7) | <u>\$ 12,819,875</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,819,875</u> |

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
RETIREE BENEFITS TRUST FUND
For the Year Ended June 30, 2012

| | |
|--|-----------------------------|
| Revenues: | |
| Other local sources | \$ 20,160,858 |
| Expenditures: | |
| Contract services and operating expenditures (Note 9) | <u>19,055,392</u> |
| Change in net assets | 1,105,466 |
| Net assets, July 1, 2011 | <u>11,714,409</u> |
| Net assets, June 30, 2012 | <u><u>\$ 12,819,875</u></u> |

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

West Contra Costa Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

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

On January 13, 1994, certain members of the District's Board of Education and District employees formed a nonprofit benefit corporation, known as the West Contra Costa Unified School District Financing Corporation (the "Corporation"), which is organized under the Nonprofit Benefit Corporation Law of the State of California. The purpose of this Corporation is to provide financial assistance to the District by financing, constructing and leasing various public facilities, land, and equipment for the use, benefit, and enjoyment of the public served by the District. The Corporation issued Certificates of Participation (COPs), a form of long-term debt, which the District used to finance continuing operations. The COPs are collateralized by an underlying lease-purchase agreement between the Corporation and the District.

The District and the Corporation have a financial and operational relationship that meets the reporting entity definition of Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation as a component unit of the District. The basic, but not the only criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that the nongovernmental unit is dependent on another and the dependent unit should be reported as part of the other.

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2012, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the Corporation Debt Service Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

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

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1. General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year end balance of the Special Reserve for Other than Capital Outlay Projects Fund is combined with the General Fund.

2. Special Revenue Funds:

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

3. Capital Projects Funds:

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

4. Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest, and related costs. This classification includes the Bond Interest and Redemption, Corporation Debt Service and Debt Service Funds.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Proprietary Fund

1. Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the District. The Self-Insurance Fund is used to account for resources committed to pay for costs arising from property losses and liability claims that are covered, or only partially covered, through purchased insurance.

C - Fiduciary Funds

1. Trust Fund:

The Retiree Benefits Trust Fund is a trust fund used to account for the accumulation of funds for the District's defined post-employment healthcare plan.

2. Agency Funds:

Agency Funds are used to account for assets held by the District as trustee. This classification includes the Payroll Clearing Fund and Student Body Funds. In the Payroll Clearing Fund, the "due to regulatory agencies" account is used to hold dedicated funds for payroll and related expenses. The Student Body Funds include all cash activity, assets and liabilities of the various student bodies of the District.

Basis of Accounting

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

Accrual

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual

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

Budgets and Budgetary Accounting

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

Stores Inventory

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

Cafeteria Food Purchases

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

Capital Assets

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

Compensated Absences

Compensated absences totaling \$3,422,127 are recorded as a liability of the District. The liability is for the earned but unused benefits.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

Deferred Revenue

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

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues are state programs where the revenue received is restricted for expenditures only in that particular program. The restriction for the future payment of self-insurance claims represents the portion of net assets to be used for future payment of self-insured claims. The restriction for special revenues represents the portion of net assets restricted for special purposes. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for debt service repayments represents the portion of net assets which the District plans to expend on debt repayment. The restriction for retiree benefits represents the portion of net assets which will be used for payment of health insurance premiums for current and future retirees. It is the District's policy to first use restricted net assets when allowable expenditures are incurred.

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2012, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2012, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2012, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

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

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 at June 30.

Eliminations and Reclassifications

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

Estimates

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 consisted of the following:

| | Governmental Activities | | | Fiduciary |
|---------------------------------|-------------------------|---------------------|----------------------|----------------------|
| | Governmental Funds | Proprietary Fund | Total | Activities |
| Pooled Funds: | | | | |
| Cash in County Treasury | \$ 146,754,991 | \$ 2,351,989 | \$ 149,106,980 | \$ 8,813,473 |
| Cash awaiting deposit | 2,907 | - | 2,907 | - |
| Deposits: | | | | |
| Cash on hand and in banks | 43,067 | - | 43,067 | 848,354 |
| Cash in revolving fund | <u>70,000</u> | <u>-</u> | <u>70,000</u> | <u>-</u> |
| Total pooled funds and deposits | <u>146,870,965</u> | <u>2,351,989</u> | <u>149,222,954</u> | <u>9,661,827</u> |
| Investments: | | | | |
| Cash with Fiscal Agent | 12,442,080 | 51 | 12,442,131 | - |
| Local Agency Investment Fund | <u>69,081,789</u> | <u>-</u> | <u>69,081,789</u> | <u>7,173,359</u> |
| Total investments | <u>81,523,869</u> | <u>51</u> | <u>81,523,920</u> | <u>7,173,359</u> |
| Total | <u>\$228,394,834</u> | <u>\$ 2,352,040</u> | <u>\$230,746,874</u> | <u>\$ 16,835,186</u> |

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Contra Costa County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Earnings are calculated on an annual basis and funds allocated to participating funds are adjusted to the calculated annual rate at year-end.

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

In accordance with applicable state laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2012, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, through December 31, 2012 interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$961,421, and the bank balance was \$896,543, all of which was insured.

Cash with Fiscal Agent

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

The Cash with Fiscal Agent in the Special Reserve for Capital Outlay Projects, Corporation Debt Service and Self-Insurance Funds represents amounts held by third parties in the District's name.

Local Agency Investment Fund

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2012, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2012 were as follows:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--------------------------|----------------------------------|-------------------------------|
| Major Funds: | | |
| General | \$ - | \$ 13,000,000 |
| Non-Major Funds: | | |
| Cafeteria | - | 200,000 |
| Capital Facilities | 200,000 | - |
| County School Facilities | <u>13,000,000</u> | <u>-</u> |
| Totals | <u>\$ 13,200,000</u> | <u>\$ 13,200,000</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2011-2012 fiscal year were as follows:

| | |
|---|----------------------------|
| Transfer from the Building Fund to the General Fund to offset legal costs related to refunding of general obligation bonds. | \$ 3,500,000 |
| Transfer from the Building Fund to the General Fund to cover costs associated with the purchase of the Munis accounting system. | 2,200,000 |
| Transfer from the Adult Education Fund to the General Fund for indirect cost support. | 104,744 |
| Transfer from the Adult Education Fund to the General Fund for Tier III flexibility provisions of SBX3 4. | 1,000,000 |
| Transfer from the Child Development Fund to the General Fund for indirect cost support. | 93,822 |
| Transfer from the Cafeteria Fund to the General Fund for indirect cost support. | 547,646 |
| Transfer from the Deferred Maintenance Fund to the General Fund for Tier III flexibility provisions of SBX3 4. | <u>1,000,000</u> |
| | <u><u>\$ 8,446,212</u></u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2012 is shown below:

| | Balance July 1, <u>2011</u> | Transfers and <u>Additions</u> | Transfers and <u>Deductions</u> | Balance June 30, <u>2012</u> |
|--------------------------------|-----------------------------------|--------------------------------------|---------------------------------------|------------------------------------|
| <u>Governmental Activities</u> | | | | |
| Non-depreciable: | | | | |
| Land | \$ 52,371,291 | \$ - | \$ - | \$ 52,371,291 |
| Work-in-process | 201,049,921 | 102,671,344 | - | 303,721,265 |
| Depreciable: | | | | |
| Buildings | 803,423,280 | 166,527 | - | 803,589,807 |
| Site improvements | 61,980,429 | - | - | 61,980,429 |
| Equipment | <u>12,838,502</u> | <u>1,367,911</u> | <u>212,663</u> | <u>13,993,750</u> |
| Totals, at cost | <u>1,131,663,423</u> | <u>104,205,782</u> | <u>212,663</u> | <u>1,235,656,542</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (198,590,935) | (17,458,815) | - | (216,049,750) |
| Site improvements | (39,520,162) | (1,526,023) | - | (41,046,185) |
| Equipment | <u>(6,780,355)</u> | <u>(919,324)</u> | <u>(172,044)</u> | <u>(7,527,635)</u> |
| Total accumulated depreciation | <u>(244,891,452)</u> | <u>(19,904,162)</u> | <u>(172,044)</u> | <u>(264,623,570)</u> |
| Capital assets, net | <u>\$ 886,771,971</u> | <u>\$ 84,301,620</u> | <u>\$ 40,619</u> | <u>\$ 971,032,972</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|----------------------|
| Instruction | \$ 10,820,181 |
| Supervision of instruction | 1,484,063 |
| Instructional library, media and technology | 218,518 |
| School site administration | 1,090,416 |
| Home to school transportation | 542,402 |
| Food services | 923,134 |
| All other pupil services | 1,229,964 |
| Ancillary services | 508,093 |
| Community services | 10,088 |
| All other general administration | 816,275 |
| Data processing | 258,865 |
| Plant services | <u>2,002,163</u> |
| Total depreciation expense | <u>\$ 19,904,162</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE CLAIMS

The District is self-insured for property and liability claims. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for the payment of claims. For the year ended June 30, 2012, the District provides coverage up to a maximum of \$100,000 for each property or liability claim. The District participates in a joint powers authority for claims in excess of coverage provided by the Fund (Note 10).

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

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

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

| | June 30, <u>2012</u> | June 30, <u>2011</u> |
|---|-------------------------|-------------------------|
| Unpaid claim and claim adjustment expenses, beginning of year | \$ 500,000 | \$ 500,000 |
| Total incurred claims and claim adjustment expenses | 708,587 | 1,340,237 |
| Total payments | <u>(708,587)</u> | <u>(1,340,237)</u> |
| Total unpaid claims and claim adjustment expenses at end of year | <u>\$ 500,000</u> | <u>\$ 500,000</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES

General Obligation Bonds

| Bond | Interest Rate % | Date of Issuance | Maturity Date August 1, | Amount of Original Issuance | Outstanding July 1, 2011 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2012 |
|---|--------------------|---------------------|-------------------------------|-----------------------------------|--------------------------------|---------------------------|-----------------------------|---------------------------------|
| Measure E, Refunding Series A | 4.15% - 5.7% | 2001 | 2025 | \$ 28,610,000 | \$ 19,605,000 | \$ - | \$ 1,110,000 | \$ 18,495,000 |
| Measure E, Refunding Series B | 4.3% - 6.0% | 2001 | 2024 | 10,255,000 | 7,190,000 | - | 380,000 | 6,810,000 |
| Measure M, Series C | 2.5% - 5.0% | 2003 | 2012 | 95,000,000 | 82,345,000 | - | 39,230,000 | 43,115,000 |
| Measure D, Series A | 4.25% - 7.0% | 2002 | 2012 | 30,000,000 | 24,850,000 | - | 13,335,000 | 11,515,000 |
| Measure D, Series B | 4.1% - 5.0% | 2003 | 2012 | 100,000,000 | 84,260,000 | - | 43,800,000 | 40,460,000 |
| Measure D, Series C, Current Interest | 4.0% - 5.0% | 2004 | 2034 | 40,000,000 | 36,445,000 | - | 820,000 | 35,625,000 |
| Measure D, Series C, Capital Appreciation | 2.4% - 5.8% | 2004 | 2034 | 29,999,377 | 28,746,812 | - | 567,683 | 28,179,129 |
| Measure D, Series D, Capital Appreciation | 3.15% - 5.05% | 2006 | 2034 | 99,998,106 | 95,250,472 | - | 2,105,460 | 93,145,012 |
| Measure J, Series A | 4.0% - 5.0% | 2006 | 2035 | 70,000,000 | 61,280,000 | - | - | 61,280,000 |
| Measure J, Series B | 5.0% - 6.0% | 2009 | 2035 | 120,000,000 | 115,025,000 | - | - | 115,025,000 |
| Measure J, Series C1 | 6.24% - 12.0% | 2010 | 2033 | 52,084,759 | 52,084,759 | - | - | 52,084,759 |
| Measure J, Series C2 | 8.46% | 2010 | 2034 | 52,825,000 | 52,825,000 | - | - | 52,825,000 |
| 2009 Refunding | 3.0% - 5.38% | 2010 | 2031 | 57,860,000 | 53,870,000 | - | 3,915,000 | 49,955,000 |
| Measure J, Series D1 | 6.56% | 2010 | 2024 | 25,000,000 | 25,000,000 | - | - | 25,000,000 |
| Measure J, Series D2 | 6.80% - 6.81% | 2010 | 2036 | 2,499,949 | 2,499,949 | - | - | 2,499,949 |
| 2011 Refunding | 3.0% - 5.25% | 2011 | 2024 | 85,565,000 | - | 85,565,000 | - | 85,565,000 |
| 2010 Measure D, Series A | 3.0% - 5.0% | 2011 | 2041 | 79,000,000 | - | 79,000,000 | - | 79,000,000 |
| 2010 Measure D, Series A-1 | 3.0% - 5.0% | 2011 | 2030 | 21,000,000 | - | 21,000,000 | - | 21,000,000 |
| | | | | <u>\$ 999,697,191</u> | <u>\$ 741,276,992</u> | <u>\$ 185,565,000</u> | <u>\$ 105,263,143</u> | <u>\$ 821,578,849</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2001 Refunding Measure E, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2013 | \$ 1,160,000 | \$ 1,011,441 | \$ 2,171,441 |
| 2014 | 1,225,000 | 953,335 | 2,178,335 |
| 2015 | 1,295,000 | 890,880 | 2,185,880 |
| 2016 | 1,355,000 | 823,560 | 2,178,560 |
| 2017 | 1,435,000 | 751,653 | 2,186,653 |
| 2018-2022 | 8,515,000 | 2,486,928 | 11,001,928 |
| 2023-2026 | <u>3,510,000</u> | <u>328,491</u> | <u>3,838,491</u> |
| | <u>\$ 18,495,000</u> | <u>\$ 7,246,288</u> | <u>\$ 25,741,288</u> |

The annual requirements to amortize the 2001 Refunding Measure E, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| 2013 | \$ 395,000 | \$ 399,844 | \$ 794,844 |
| 2014 | 425,000 | 378,785 | 803,785 |
| 2015 | 445,000 | 355,855 | 800,855 |
| 2016 | 475,000 | 331,400 | 806,400 |
| 2017 | 500,000 | 303,000 | 803,000 |
| 2018-2022 | 3,030,000 | 1,022,400 | 4,052,400 |
| 2023-2025 | <u>1,540,000</u> | <u>139,800</u> | <u>1,679,800</u> |
| | <u>\$ 6,810,000</u> | <u>\$ 2,931,084</u> | <u>\$ 9,741,084</u> |

The annual requirements to amortize the 2003 Measure M, Series C, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2013 | <u>\$ 43,115,000</u> | <u>\$ 1,077,875</u> | <u>\$ 44,192,875</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2002 Measure D, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|-------------------|----------------------|
| 2013 | <u>\$ 11,515,000</u> | <u>\$ 287,875</u> | <u>\$ 11,802,875</u> |

The annual requirements to amortize the 2003 Measure D, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2013 | <u>\$ 40,460,000</u> | <u>\$ 1,011,500</u> | <u>\$ 41,471,500</u> |

The annual requirements to amortize the 2005 Measure D, Series C, Current Interest General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 860,000 | \$ 1,716,198 | \$ 2,576,198 |
| 2014 | 905,000 | 1,680,898 | 2,585,898 |
| 2015 | 950,000 | 1,642,610 | 2,592,610 |
| 2016 | 990,000 | 1,602,623 | 2,592,623 |
| 2017 | 1,035,000 | 1,561,605 | 2,596,605 |
| 2018-2022 | 5,970,000 | 7,072,144 | 13,042,144 |
| 2023-2027 | 7,665,000 | 5,342,713 | 13,007,713 |
| 2028-2032 | 9,925,000 | 3,123,125 | 13,048,125 |
| 2033-2035 | <u>7,325,000</u> | <u>562,123</u> | <u>7,887,123</u> |
| | <u>\$ 35,625,000</u> | <u>\$ 24,304,039</u> | <u>\$ 59,929,039</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2005 Measure D, Series C, Capital Appreciation General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 656,115 | \$ 363,885 | \$ 1,020,000 |
| 2014 | 739,473 | 475,527 | 1,215,000 |
| 2015 | 814,828 | 600,172 | 1,415,000 |
| 2016 | 882,657 | 737,343 | 1,620,000 |
| 2017 | 948,557 | 891,443 | 1,840,000 |
| 2018-2022 | 4,805,003 | 6,404,997 | 11,210,000 |
| 2023-2027 | 6,481,794 | 13,258,206 | 19,740,000 |
| 2028-2032 | 7,301,094 | 21,913,906 | 29,215,000 |
| 2033-2035 | <u>5,549,608</u> | <u>22,150,392</u> | <u>27,700,000</u> |
| | <u>\$ 28,179,129</u> | <u>\$ 66,795,871</u> | <u>\$ 94,975,000</u> |

The annual requirements to amortize the 2006 Measure D, Series D, Capital Appreciation General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 2,327,598 | \$ 717,402 | \$ 3,045,000 |
| 2014 | 2,527,733 | 952,267 | 3,480,000 |
| 2015 | 2,719,715 | 1,215,285 | 3,935,000 |
| 2016 | 2,904,482 | 1,520,519 | 4,425,001 |
| 2017 | 3,054,074 | 1,880,926 | 4,935,000 |
| 2018-2022 | 19,188,132 | 17,306,868 | 36,495,000 |
| 2023-2027 | 20,807,563 | 31,332,437 | 52,140,000 |
| 2028-2032 | 22,942,784 | 51,677,215 | 74,619,999 |
| 2033-2035 | <u>16,672,931</u> | <u>50,017,067</u> | <u>66,689,998</u> |
| | <u>\$ 93,145,012</u> | <u>\$156,619,986</u> | <u>\$249,764,998</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2006 Measure J, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ - | \$ 2,959,003 | \$ 2,959,003 |
| 2014 | 545,000 | 2,948,103 | 3,493,103 |
| 2015 | 1,710,000 | 2,903,003 | 4,613,003 |
| 2016 | 1,775,000 | 2,832,415 | 4,607,415 |
| 2017 | 1,850,000 | 2,757,871 | 4,607,871 |
| 2018-2022 | 10,450,000 | 12,492,213 | 22,942,213 |
| 2023-2027 | 12,950,000 | 9,675,000 | 22,625,000 |
| 2028-2032 | 16,165,000 | 6,051,875 | 22,216,875 |
| 2033-2036 | <u>15,835,000</u> | <u>1,628,123</u> | <u>17,463,123</u> |
| | <u>\$ 61,280,000</u> | <u>\$ 44,247,606</u> | <u>\$105,527,606</u> |

The annual requirements to amortize the 2009 Measure J, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ - | \$ 6,656,375 | \$ 6,656,375 |
| 2014 | - | 6,656,375 | 6,656,375 |
| 2015 | - | 6,656,375 | 6,656,375 |
| 2016 | 1,225,000 | 6,625,750 | 7,850,750 |
| 2017 | 1,900,000 | 6,538,125 | 8,438,125 |
| 2018-2022 | 11,400,000 | 30,917,625 | 42,317,625 |
| 2023-2027 | 24,000,000 | 26,015,625 | 50,015,625 |
| 2028-2032 | 37,100,000 | 16,425,938 | 53,525,938 |
| 2033-2036 | <u>39,400,000</u> | <u>5,754,375</u> | <u>45,154,375</u> |
| | <u>\$115,025,000</u> | <u>\$112,246,563</u> | <u>\$227,271,563</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2010 Measure J, Series C, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 324,003 | \$ 400,998 | \$ 725,001 |
| 2018-2022 | 8,631,415 | 16,243,585 | 24,875,000 |
| 2023-2028 | 12,192,309 | 21,322,692 | 33,515,001 |
| 2028-2032 | 23,785,458 | 70,909,542 | 94,695,000 |
| 2032-2034 | <u>7,151,574</u> | <u>29,868,423</u> | <u>37,019,997</u> |
| | <u>\$ 52,084,759</u> | <u>\$138,745,240</u> | <u>\$190,829,999</u> |

The annual requirements to amortize the 2010 Measure J, Series C, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ - | \$ 4,468,995 | \$ 4,468,995 |
| 2014 | - | 4,468,995 | 4,468,995 |
| 2015 | - | 4,468,995 | 4,468,995 |
| 2016 | - | 4,468,995 | 4,468,995 |
| 2017 | - | 4,468,995 | 4,468,995 |
| 2018-2022 | - | 22,344,975 | 22,344,975 |
| 2023-2027 | - | 22,344,975 | 22,344,975 |
| 2028-2032 | - | 22,344,975 | 22,344,975 |
| 2033-2035 | <u>52,825,000</u> | <u>9,404,348</u> | <u>62,229,348</u> |
| | <u>\$ 52,825,000</u> | <u>\$ 98,784,248</u> | <u>\$151,609,248</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2009 Measure J and M, General Obligation Bonds Refund outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 3,600,000 | \$ 2,019,906 | \$ 5,619,906 |
| 2014 | 4,575,000 | 1,878,331 | 6,453,331 |
| 2015 | 5,120,000 | 1,690,656 | 6,810,656 |
| 2016 | 7,070,000 | 1,457,256 | 8,527,256 |
| 2017 | 8,505,000 | 1,154,163 | 9,659,163 |
| 2018-2022 | 13,220,000 | 2,548,681 | 15,768,681 |
| 2023-2027 | 3,440,000 | 1,625,016 | 5,065,016 |
| 2028-2032 | <u>4,425,000</u> | <u>614,513</u> | <u>5,039,513</u> |
| | <u>\$ 49,955,000</u> | <u>\$ 12,988,522</u> | <u>\$ 62,943,522</u> |

The annual requirements to amortize the 2010 Measure J, Series D1, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2013 | \$ - | \$ 286,250 | \$ 286,250 |
| 2014 | - | 286,250 | 286,250 |
| 2015 | - | 286,250 | 286,250 |
| 2016 | - | 286,250 | 286,250 |
| 2017 | - | 286,250 | 286,250 |
| 2018-2022 | - | 1,431,250 | 1,431,250 |
| 2023-2025 | <u>25,000,000</u> | <u>518,113</u> | <u>25,518,113</u> |
| | <u>\$ 25,000,000</u> | <u>\$ 3,380,613</u> | <u>\$ 28,380,613</u> |

The annual requirements to amortize the 2010 Measure J, Series D2, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|----------------------|----------------------|
| 2036-2037 | <u>\$ 2,499,949</u> | <u>\$ 31,320,051</u> | <u>\$ 33,820,000</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2011 Refunding General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 4,425,000 | \$ 3,957,288 | \$ 8,382,288 |
| 2014 | 3,800,000 | 3,814,913 | 7,614,913 |
| 2015 | 6,285,000 | 3,595,838 | 9,880,838 |
| 2016 | 6,150,000 | 3,320,913 | 9,470,913 |
| 2017 | 5,900,000 | 3,060,263 | 8,960,263 |
| 2018-2022 | 36,080,000 | 10,673,463 | 46,753,463 |
| 2023-2025 | <u>22,925,000</u> | <u>1,641,803</u> | <u>24,566,803</u> |
| | <u>\$ 85,565,000</u> | <u>\$ 30,064,481</u> | <u>\$115,629,481</u> |

The annual requirements to amortize the 2010 Measure D, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 6,615,000 | \$ 3,726,325 | \$ 10,341,325 |
| 2014 | 5,540,000 | 3,544,000 | 9,084,000 |
| 2015 | - | 3,460,900 | 3,460,900 |
| 2016 | - | 3,460,900 | 3,460,900 |
| 2017 | - | 3,460,900 | 3,460,900 |
| 2018-2022 | 490,000 | 17,280,000 | 17,770,000 |
| 2023-2027 | 2,160,000 | 16,945,200 | 19,105,200 |
| 2028-2032 | 6,625,000 | 16,160,425 | 19,105,200 |
| 2033-2037 | 23,340,000 | 12,111,331 | 19,105,200 |
| 2038-2042 | <u>34,230,000</u> | <u>4,691,757</u> | <u>38,921,757</u> |
| | <u>\$ 79,000,000</u> | <u>\$ 84,841,738</u> | <u>\$143,815,382</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2010 Measure D, Series A-1, General Obligation Bonds Payable, outstanding as of June 30, 2012, are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2013 | \$ - | \$ 281,400 | \$ 281,400 |
| 2014 | - | 281,400 | 281,400 |
| 2015 | - | 281,400 | 281,400 |
| 2016 | - | 281,400 | 281,400 |
| 2017 | - | 281,400 | 281,400 |
| 2018-2022 | - | 1,407,000 | 1,407,000 |
| 2018-2022 | - | 1,407,000 | 1,407,000 |
| 2023-2031 | <u>21,000,000</u> | <u>984,900</u> | <u>21,984,900</u> |
| | <u>\$ 21,000,000</u> | <u>\$ 5,205,900</u> | <u>\$ 26,205,900</u> |

Certificates of Participation

On August 24, 2005, the West Contra Costa Unified School District Financing Corporation issued Certificates of Participation (COPs). The proceeds of this issuance were used to refund a 1994 COPS issuance. Semi-annual payments are made and include interest at amounts varying from 4.34% to 5.15%.

Scheduled payments for the COPs are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2013 | \$ 500,000 | \$ 424,967 | \$ 924,967 |
| 2014 | 525,000 | 400,867 | 925,867 |
| 2015 | 555,000 | 375,352 | 930,352 |
| 2016 | 585,000 | 348,157 | 933,157 |
| 2017 | 605,000 | 318,731 | 923,731 |
| 2018-2022 | 3,530,000 | 1,103,097 | 4,633,097 |
| 2022-2024 | <u>2,115,000</u> | <u>175,613</u> | <u>2,290,613</u> |
| | <u>\$ 8,415,000</u> | <u>\$ 3,146,784</u> | <u>\$ 11,561,784</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Child Care Facilities Loan

On February 7, 2001, the District received a no-interest loan from the California Department of Education for the development and acquisition of child care facilities. The District received an initial amount of \$573,048 with the District repaying \$33,000 of the loan. In 2002-03, the District received an additional \$598,060. The carrying balance of the loan as of June 30, 2012 is \$28,823. The loan balance is to be repaid in ten annual installments.

The following is a schedule of loan repayments:

| Year Ending <u>June 30,</u> | Total <u>Payments</u> |
|--------------------------------|--------------------------|
| 2013 | \$ <u>28,823</u> |

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2012 is shown below:

| | Balance July 1, <u>2011</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2012</u> | Amounts Due Within <u>One Year</u> |
|--|-----------------------------------|-----------------------|-----------------------|------------------------------------|--|
| Governmental activities: | | | | | |
| General Obligation Bonds | \$ 741,276,992 | \$ 185,565,000 | \$ 105,263,143 | \$ 821,578,849 | \$ 115,128,713 |
| General Obligation Bonds Premium | 15,857,512 | 11,036,159 | 1,540,467 | 25,353,204 | 905,290 |
| Accreted interest | 50,779,461 | 9,983,201 | - | 60,762,662 | - |
| Certificates of Participation | 8,890,000 | - | 475,000 | 8,415,000 | 500,000 |
| Emergency Apportionment Loan | 9,368,387 | - | 9,368,387 | - | - |
| Voluntary Integration Plan | 872,000 | - | 872,000 | - | - |
| Computer equipment acquisition loan | 3,576,032 | - | 3,576,032 | - | - |
| Child care facilities loan | 126,347 | - | 97,524 | 28,823 | 28,823 |
| OPEB obligation (Note 9) | 84,111,607 | 5,606,738 | - | 89,718,345 | - |
| Compensated absences | <u>3,490,764</u> | <u>-</u> | <u>68,637</u> | <u>3,422,127</u> | <u>-</u> |
| Total | <u>\$ 918,349,102</u> | <u>\$ 212,191,098</u> | <u>\$ 121,261,190</u> | <u>\$1,009,279,010</u> | <u>\$ 116,562,826</u> |

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation, Emergency Apportionment Loan, Voluntary Integration Plan, and computer equipment acquisition loan are made from the General Fund. Payments on the child care facilities acquisition loan are made from the Child Development Fund. Payments on the OPEB obligation are made from the Retiree Benefits Trust Fund. Payments on compensated absences are made from the fund for which the related employee worked.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. NET ASSETS / FUND BALANCES

Restricted net assets consisted of the following at June 30, 2012:

| | <u>Governmental Activities</u> | <u>Fiduciary Funds</u> |
|--|------------------------------------|-----------------------------|
| Restricted for unspent categorical program revenues | \$ 26,055,436 | \$ - |
| Restricted for future payment of self-insured claims | 1,820,990 | - |
| Restricted for special revenues | 6,990,881 | - |
| Restricted for capital projects | 50,488,711 | - |
| Restricted for debt service | 47,714,715 | - |
| Restricted for retiree benefits | <u>-</u> | <u>12,819,875</u> |
| Total restricted net assets | <u><u>\$133,070,733</u></u> | <u><u>\$ 12,819,875</u></u> |

Fund balances, by category, at June 30, 2012 consisted of the following:

| | <u>General Fund</u> | <u>Building Fund</u> | <u>Bond Interest and Redemption Fund</u> | <u>All Non-Major Funds</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|------------------------------|--|------------------------------------|------------------------------|
| Nonspendable: | | | | | |
| Revolving cash fund | \$ 70,000 | \$ - | \$ - | \$ - | \$ 70,000 |
| Stores inventory | <u>267,465</u> | <u>-</u> | <u>-</u> | <u>573,804</u> | <u>841,269</u> |
| Subtotal nonspendable | <u>337,465</u> | <u>-</u> | <u>-</u> | <u>573,804</u> | <u>911,269</u> |
| Restricted: | | | | | |
| Unspent categorical revenues | 26,055,436 | - | - | - | 26,055,436 |
| Adult education | - | - | - | 2,055,110 | 2,055,110 |
| Child Development | - | - | - | 113,795 | 113,795 |
| Deferred Maintenance | - | - | - | 1,296,996 | 1,296,996 |
| Cafeteria | - | - | - | 2,951,176 | 2,951,176 |
| Capital projects | - | 105,967,989 | - | 24,081,716 | 130,049,705 |
| Debt service | <u>-</u> | <u>-</u> | <u>46,794,342</u> | <u>1,962,746</u> | <u>48,757,088</u> |
| Subtotal restricted | <u>26,055,436</u> | <u>105,967,989</u> | <u>46,794,342</u> | <u>32,461,539</u> | <u>211,279,306</u> |
| Assigned: | | | | | |
| Tier III flexibility | <u>14,368,392</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,368,392</u> |
| Unassigned: | | | | | |
| Designated for economic uncertainty | 8,168,653 | - | - | - | 8,168,653 |
| Undesignated | <u>14,004,394</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,004,394</u> |
| Subtotal unassigned | <u>22,173,047</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,173,047</u> |
| Total fund balances | <u><u>\$ 62,934,340</u></u> | <u><u>\$ 105,967,989</u></u> | <u><u>\$ 46,794,342</u></u> | <u><u>\$ 33,035,343</u></u> | <u><u>\$ 248,732,014</u></u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$3,343,635, \$3,775,389 and \$4,213,692, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2011-2012 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, 2010, 2011 and 2012 were \$8,846,010, \$8,409,803 and \$8,544,399, respectively, and equal 100% of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-employment health benefits to all employees (1) hired prior to December 31, 2006 and who have attained five continuous years of service with the District (as defined by PERS/STRS); (2) are hired after January 1, 2007 and have attained ten continuous years of service with the District (as defined by PERS/STRS). Dental benefits are provided to employees who meet the rule of "75" (number of years worked plus age equals 75 or more) to qualify for post employment dental benefits. As of June 30, 2012, a total of 2,437 retirees met the health care benefit requirement.

The District offers retirees a choice of two health maintenance organizations (HMO's) for health benefits and a supplemental Medicare Part A Plan; dental benefits are offered through one insurer. The District pays 100% for the monthly HMO up to the cost of the CalPERS Northern California Blue Shield health plan and 100% dental for eligible employees and their spouses who retired prior to January 1, 2007. Employees who retire after January 1, 2007 are covered by the terms of their bargaining union that are in effect at their retirement date. All eligible retirees and their spouses who qualify for Medicare benefits must apply for and pay for the Part B premium as required by law. Expenditures for post-employment health care benefits are recognized when paid.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

| | |
|--|-----------------------------|
| Annual required contribution | \$ 24,679,091 |
| Interest on net OPEB obligation | 3,785,022 |
| Adjustment to annual required contribution | <u>(3,913,446)</u> |
| Annual OPEB cost | 24,550,667 |
| Contributions made | <u>(18,943,929)</u> |
| Increase in net OPEB obligation | 5,606,738 |
| Net OPEB obligation - beginning of year | <u>84,111,607</u> |
| Net OPEB obligation - end of year | <u><u>\$ 89,718,345</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 and preceding two years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| June 30, 2010 | \$ 44,531,861 | 56.4% | \$ 78,915,248 |
| June 30, 2011 | \$ 23,606,113 | 28.1% | \$ 84,111,607 |
| June 30, 2012 | \$ 24,550,667 | 72.2% | \$ 89,718,345 |

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial liability for benefits was \$385,520,762 and the actuarial value of assets was \$0, resulting in a unfunded actuarial accrued liability (UAAL) of \$385,520,762. However, the District has set aside \$12,819,875 in the Retiree Benefits Trust Fund for future payment of these benefits. No current employees are covered by the Plan. The OPEB plan is currently operated as a pay-as-you-go plan.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 10 years. Both rates included a 3.25 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 26 years.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. JOINT POWERS AGREEMENTS

Contra Costa County Schools Insurance Group

The District is a member with other school districts of a Joint Powers Authority, Contra Costa County Schools Insurance Group (CCCSIG), for the operation of a common risk management and insurance program for workers' compensation coverage. The following is a summary of financial information for CCCSIG at June 30, 2011 (most recent information available):

| | |
|----------------------|----------------|
| Total assets | \$ 92,712,198 |
| Total liabilities | \$ 74,926,034 |
| Total net assets | \$ 17,786,164 |
| Total revenues | \$ 41,257,160 |
| Total expenses | \$ 48,048,482 |
| Change in net assets | \$ (6,791,322) |

Northern California Regional Liability Excess Fund (Nor Cal Relief)

The District is a member with other agencies of a Joint Powers Authority, Northern California Regional Liability Excess Fund (Nor Cal Relief), for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information for Nor Cal Relief at June 30, 2011 (most recent information available):

| | |
|----------------------|---------------|
| Total assets | \$ 60,461,646 |
| Total liabilities | \$ 34,033,515 |
| Total net assets | \$ 26,428,131 |
| Total revenues | \$ 37,118,988 |
| Total expenses | \$ 36,392,464 |
| Change in net assets | \$ 726,524 |

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

11. CONTINGENCIES

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. SUBSEQUENT EVENT

General Obligation Bonds

On July 10, 2012, the District issued 2012 General Obligation Refunding Bonds in the total amount of \$98,200,000. The bonds were issued to refund all of the District's outstanding Election 2002 Series C, Election 2002 Series A, Election 2002 Series B and to advance refund a portion of the District's outstanding Election 2002 Series C Bonds. The Board of Supervisors of Contra Costa County is empowered and obligated to annually levy and collect ad valorem property taxes without limitation as to rate or amount on all taxable property in the District for the repayment of interest, principal, and premium, if any. The Bonds bear interest at rates ranging from 3.00% to 5.25% and are scheduled to mature through August 1, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2012

| | <u>Budget</u> | | | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Revenue limit sources: | | | | |
| State apportionment | \$ 93,216,540 | \$ 92,770,030 | \$ 92,770,030 | \$ - |
| Local sources | <u>54,778,297</u> | <u>55,076,225</u> | <u>55,076,225</u> | <u>-</u> |
| Total revenue limit | <u>147,994,837</u> | <u>147,846,255</u> | <u>147,846,255</u> | <u>-</u> |
| Federal sources | 27,810,811 | 40,798,264 | 33,510,605 | (7,287,659) |
| Other state sources | 59,872,698 | 63,029,006 | 63,344,038 | 315,032 |
| Other local sources | <u>19,363,564</u> | <u>22,525,991</u> | <u>22,418,641</u> | <u>(107,350)</u> |
| Total revenues | <u>255,041,910</u> | <u>274,199,516</u> | <u>267,119,539</u> | <u>(7,079,977)</u> |
| Expenditures: | | | | |
| Certificated salaries | 104,344,459 | 109,874,942 | 106,626,682 | 3,248,260 |
| Classified salaries | 39,475,080 | 42,322,114 | 41,184,114 | 1,138,000 |
| Employee benefits | 61,395,153 | 62,948,097 | 61,331,324 | 1,616,773 |
| Books and supplies | 7,986,189 | 16,560,875 | 10,708,520 | 5,852,355 |
| Contract services and operating expenditures | 40,853,144 | 55,657,772 | 42,511,674 | 13,146,098 |
| Capital outlay | 2,846,099 | 3,785,085 | 575,432 | 3,209,653 |
| Other outgo | 52,000 | 52,000 | 29,617 | 22,383 |
| Debt service: | | | | |
| Principal retirement | 3,867,078 | 5,867,078 | 6,201,110 | (334,032) |
| Interest | <u>591,101</u> | <u>591,101</u> | <u>366,167</u> | <u>224,934</u> |
| Total expenditures | <u>261,410,303</u> | <u>297,659,064</u> | <u>269,534,640</u> | <u>28,124,424</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(6,368,393)</u> | <u>(23,459,548)</u> | <u>(2,415,101)</u> | <u>21,044,447</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | 2,577,835 | 13,318,212 | 8,446,212 | (4,872,000) |
| Operating transfers out | <u>-</u> | <u>(4,872,000)</u> | <u>-</u> | <u>4,872,000</u> |
| Total other financing sources (uses) | <u>2,577,835</u> | <u>8,446,212</u> | <u>8,446,212</u> | <u>-</u> |
| Net change in fund balance | (3,790,558) | (15,013,336) | 6,031,111 | 21,044,447 |
| Fund balance, July 1, 2011 | <u>56,903,229</u> | <u>56,903,229</u> | <u>56,903,229</u> | <u>-</u> |
| Fund balance, June 30, 2012 | <u>\$ 53,112,671</u> | <u>\$ 41,889,893</u> | <u>\$ 62,934,340</u> | <u>\$ 21,044,447</u> |

See accompanying notes to required supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2012

| Schedule of Funding Progress | | | | | | | |
|----------------------------------|---|--|--|--|-------------------------|-----------------------------|---|
| <u>Fiscal Year Ended</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll*</u> | <u>UAAL as a Percentage of Covered Payroll*</u> |
| 6/30/2008 | June 30, 2007 | \$0 | \$496 million | \$496 million | 0% | \$0 | 0% |
| 6/30/2009 | June 30, 2007 | \$0 | \$496 million | \$496 million | 0% | \$0 | 0% |
| 6/30/2010 | June 30, 2007 | \$0 | \$496 million | \$496 million | 0% | \$0 | 0% |
| 6/30/2011 | July 1, 2010 | \$0 | \$386 million | \$386 million | 0% | \$0 | 0% |
| 6/30/2012 | July 1, 2010 | \$0 | \$386 million | \$386 million | 0% | \$0 | 0% |

* No current employees are covered by the Plan.

See accompanying notes to required supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2012

ASSETS

| | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve for Capital Outlay Projects Fund | Corporation Debt Service Fund | Debt Service Fund | Total |
|---------------------------|----------------------------|------------------------------|-------------------|---------------------------------|-------------------------------|--|---|--|-------------------------|---------------|
| Cash in County Treasury | \$ 774,736 | \$ 246,115 | \$ 41,617 | \$ 1,295,306 | \$ 802,405 | \$ 2,856,953 | \$ 6,914,072 | \$ - | \$ 30 | \$ 12,931,234 |
| Cash awaiting deposit | - | - | 1,353 | - | - | - | - | - | - | 1,353 |
| Cash on hand and in banks | 26,001 | - | 1,814 | - | - | - | - | - | - | 27,815 |
| Cash with Fiscal Agent | - | - | - | - | - | - | - | 1,042,373 | - | 1,042,373 |
| Investments | 3,215 | - | - | - | 1,161,285 | - | - | - | - | 2,080,058 |
| Receivables | 1,441,182 | 20,500 | 3,496,836 | 1,690 | 2,746 | 4,383 | 35,604 | - | 915,558 | 5,007,726 |
| Due from other funds | - | - | - | - | 200,000 | 13,000,000 | - | - | - | 13,200,000 |
| Stores inventory | - | - | 573,804 | - | - | - | - | - | - | 573,804 |
| Total assets | \$ 2,245,134 | \$ 266,615 | \$ 4,115,424 | \$ 1,296,996 | \$ 2,166,436 | \$ 15,861,336 | \$ 6,949,676 | \$ 1,042,373 | \$ 920,373 | \$ 34,864,363 |

LIABILITIES AND
FUND BALANCES

| | | | | | | | | | | |
|--|--------------|------------|--------------|--------------|--------------|---------------|--------------|--------------|------------|---------------|
| Liabilities: | | | | | | | | | | |
| Accounts payable | \$ 190,024 | \$ 71,083 | \$ 390,444 | \$ - | \$ 856,479 | \$ - | \$ 39,253 | \$ - | \$ - | \$ 1,547,283 |
| Deferred revenue | - | 81,737 | - | - | - | - | - | - | - | 81,737 |
| Due to other funds | - | - | 200,000 | - | - | - | - | - | - | 200,000 |
| Total liabilities | 190,024 | 152,820 | 590,444 | - | 856,479 | - | 39,253 | - | - | 1,829,020 |
| Fund balances: | | | | | | | | | | |
| Nonspendable | - | - | 573,804 | - | - | - | - | - | - | 573,804 |
| Restricted | 2,055,110 | 113,795 | 2,951,176 | 1,296,996 | 1,309,957 | 15,861,336 | 6,910,423 | 1,042,373 | 920,373 | 32,461,539 |
| Total fund balances | 2,055,110 | 113,795 | 3,524,980 | 1,296,996 | 1,309,957 | 15,861,336 | 6,910,423 | 1,042,373 | 920,373 | 33,035,343 |
| Total liabilities and fund balances | \$ 2,245,134 | \$ 266,615 | \$ 4,115,424 | \$ 1,296,996 | \$ 2,166,436 | \$ 15,861,336 | \$ 6,949,676 | \$ 1,042,373 | \$ 920,373 | \$ 34,864,363 |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2012

| | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve for Capital Outlay Projects Fund | Corporation Debt Service Fund | Debt Service Fund | Total |
|---|----------------------------|------------------------------|-------------------|---------------------------------|-------------------------------|--|---|--|-------------------------|---------------|
| Revenues: | | | | | | | | | | |
| Federal sources | \$ 303,891 | \$ 485,904 | \$ 12,456,302 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,246,097 |
| Other state sources | 3,311,459 | 2,172,463 | 935,933 | 1,093,275 | - | 15,826,197 | - | - | - | 23,339,327 |
| Other local sources | 384,100 | 136,345 | 1,040,743 | 7,264 | 226,420 | 21,183 | 574,703 | - | 30,600 | 2,421,358 |
| Total revenues | 3,999,450 | 2,794,712 | 14,432,978 | 1,100,539 | 226,420 | 15,847,380 | 574,703 | - | 30,600 | 39,006,782 |
| Expenditures: | | | | | | | | | | |
| Certificated salaries | 1,423,213 | 1,111,406 | - | - | - | - | - | - | - | 2,534,619 |
| Classified salaries | 626,569 | 758,369 | 4,559,595 | - | - | - | 6,909 | - | - | 5,951,442 |
| Employee benefits | 466,814 | 670,940 | 1,715,215 | - | - | - | 810 | - | - | 2,853,779 |
| Books and supplies | 33,594 | 67,212 | 6,257,800 | - | - | - | 46,228 | - | - | 6,404,834 |
| Contract services and operating expenditures | 235,264 | 97,459 | 357,994 | - | 213,528 | - | 235,868 | - | - | 1,140,113 |
| Capital outlay | - | - | 221,898 | - | 2,171,352 | - | 518,033 | - | - | 2,911,283 |
| Debt service: | | | | | | | | | | |
| Principal retirement | - | 97,524 | - | - | - | - | - | - | 8,090,309 | 8,187,833 |
| Interest | - | - | - | - | - | - | - | 234,504 | 40,299 | 274,803 |
| Total expenditures | 2,785,454 | 2,802,910 | 13,112,502 | - | 2,384,880 | - | 807,848 | 234,504 | 8,130,608 | 30,258,706 |
| Excess (deficiency) of revenues over (under) expenditures | 1,213,996 | (8,198) | 1,320,476 | 1,100,539 | (2,158,460) | 15,847,380 | (233,145) | (234,504) | (8,100,008) | 8,748,076 |
| Other financing uses: | | | | | | | | | | |
| Operating transfers out | (1,104,744) | (93,822) | (547,646) | (1,000,000) | - | - | - | - | - | (2,746,212) |
| Net change in fund balances | 109,252 | (102,020) | 772,830 | 100,539 | (2,158,460) | 15,847,380 | (233,145) | (234,504) | (8,100,008) | 6,001,864 |
| Fund balances, July 1, 2011 | 1,945,858 | 215,815 | 2,752,150 | 1,196,457 | 3,468,417 | 13,956 | 7,143,568 | 1,276,877 | 9,020,381 | 27,033,479 |
| Fund balances, June 30, 2012 | 2,055,110 | 113,795 | 3,524,980 | 1,296,996 | 1,309,957 | 15,861,336 | 6,910,423 | 1,042,373 | 920,373 | 33,035,343 |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2012

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

BOARD OF EDUCATION

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|-------------------------|----------------------|----------------------------|
| Mr. Charles Ramsey | President | December 3, 2014 |
| Mr. Antonio Medrano | Clerk | December 7, 2012 |
| Ms. Madeline Kronenberg | Member | December 3, 2014 |
| Ms. Elaine Merriweather | Member | December 3, 2014 |
| Mr. Tony Thurmond | Member | December 7, 2012 |

ADMINISTRATION

Bruce Harter, Ph.D.
Superintendent of Schools

Wendell Greer
Associate Superintendent, K-12

Bill Fay
Associate Superintendent for Operations

Sheri Gamba
Associate Superintendent for Business Services

Anne Reinhausen
Assistant Superintendent for Human Resources

Nia Rashidchi
Assistant Superintendent of Educational Services

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2012

| | Original Second Period Report | Annual Report |
|-----------------------------------|--|--------------------------|
| Elementary: | | |
| Kindergarten | 2,320 | 2,322 |
| First through Third | 6,921 | 6,915 |
| Fourth through Eighth | 9,899 | 9,868 |
| Home and Hospital | 8 | 10 |
| Special Education | 835 | 847 |
| Non Public Schools | 38 | 53 |
| Community Day School | <u>12</u> | <u>15</u> |
| Total Elementary | <u>20,033</u> | <u>20,030</u> |
| Secondary: | | |
| Regular Classes | 6,706 | 6,662 |
| Special Education | 216 | 203 |
| Compulsory Continuation Education | 515 | 506 |
| Community Day School | 18 | 16 |
| Home and Hospital | 24 | 24 |
| Non Public Schools | <u>86</u> | <u>116</u> |
| Total Secondary | <u>7,565</u> | <u>7,527</u> |
| | <u>27,598</u> | <u>27,557</u> |

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**SCHEDULE OF INSTRUCTIONAL TIME****For the Year Ended June 30, 2012**

| <u>Grade Level</u> | <u>1986-87 Minutes Require- ment</u> | <u>1982-83 Actual Minutes</u> | <u>2011-12 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|--------------------|--|---------------------------------------|---------------------------------------|--|---------------|
| Kindergarten | 36,000 | 31,500 | 36,000 | 180 | In Compliance |
| Grade 1 | 50,400 | 45,160 | 50,455 | 180 | In Compliance |
| Grade 2 | 50,400 | 45,160 | 50,455 | 180 | In Compliance |
| Grade 3 | 50,400 | 45,160 | 50,455 | 180 | In Compliance |
| Grade 4 | 54,000 | 45,160 | 54,035 | 180 | In Compliance |
| Grade 5 | 54,000 | 45,160 | 54,035 | 180 | In Compliance |
| Grade 6 | 54,000 | 45,160 | 54,035 | 180 | In Compliance |
| Grade 7 | 54,000 | 45,160 | 55,455 | 180 | In Compliance |
| Grade 8 | 54,000 | 45,160 | 55,455 | 180 | In Compliance |
| Grade 9 | 64,800 | 52,898 | 65,040 | 180 | In Compliance |
| Grade 10 | 64,800 | 52,898 | 65,040 | 180 | In Compliance |
| Grade 11 | 64,800 | 52,898 | 65,040 | 180 | In Compliance |
| Grade 12 | 64,800 | 52,898 | 65,040 | 180 | In Compliance |

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2012

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass- Through Entity Identifying Number | Federal Expend- itures |
|--|---|--|---------------------------------------|
| <u>U. S. Department of Education - Passed through California Department of Education</u> | | | |
| | Special Education Cluster: | | |
| 84.027 | Special Education IDEA: Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142) | 13379 | \$ 5,716,466 |
| 84.027 | Special Education IDEA: Local Assistance Part B, Sec 611 Private School ISPs | 10115 | 63,019 |
| 84.027 | Special Education - Alternative Dispute Resolution, Part B, Sec. 611 | 13007 | 15,000 |
| 84.027 | Special Education - Steta Performance Plan Facilitated Review | 13693 | 27,905 |
| 84.027A | Special Education IDEA: Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5) | 13682 | 530,965 |
| 84.027A | Special Education IDEA: Local Staff Development Grants, Part B, Sec. 611 | 13613 | 3,228 |
| 84.027A | Special Education IDEA: Mental Health Services, Part B, Sec. 611 | 14468 | 254,061 |
| 84.173 | Special Education IDEA: Preschool Grant, Part B, Sec 619 (Age 3-4-5) | 13430 | 315,009 |
| 84.391 | Special Ed: ARRA IDEA Part B, Sec 611, Basic Local Assistance | 15003 | 100,000 |
| 84.391 | Special Ed: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement | 15002 | 19,044 |
| 84.392 | Special Ed: ARRA IDEA Part B, Sec 619, Preschool Grants | 15000 | <u>6,612</u> |
| | Subtotal Special Education Cluster | | <u>7,051,309</u> |
| | Title I, Part A Cluster: | | |
| 84.010 | NCLB: Title I, Part A, Basic Grants Low Income and Neglected | 14329 | 11,986,753 |
| 84.389 | NCLB: ARRA Title I, Part A, Basic Grants Low Income and Neglected | 15005 | <u>1,479,553</u> |
| | Subtotal Title I, Part A Cluster | | <u>13,466,306</u> |
| | NCLB: Title I, School Improvement Grants: | | |
| 84.377 | NCLB: Title I, School Improvement Grant (SIG) for Elementary and Secondary | 15127 | 212,336 |
| 84.377 | NCLB: Title I, School Improvement Grant (SIG) for Elementary and Secondary | 15020 | <u>1,105,832</u> |
| | Subtotal NCLB: Title I, School Improvement Grants | | <u>1,318,168</u> |

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass- Through Entity Identifying Number | Federal Expend- itures |
|---|---|--|---------------------------------------|
| <u>U.S. Department of Education - Passed through California Department of Education (Continued)</u> | | | |
| | Education Technology State Grants Cluster: | | |
| 84.318 | NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants | 14334 | \$ 14,542 |
| 84.386 | NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants | 15019 | 108,165 |
| 84.386 | NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants | 15126 | <u>212,207</u> |
| | Subtotal Education Technology State Grants Cluster | | <u>334,914</u> |
| | Adult Education Programs: | | |
| 84.002A | Adult Education: Adult Basic Education and ESL | 13973 | 232,368 |
| 84.002A | Adult Education: Adult Secondary Education | 13978 | 31,557 |
| 84.002A | Adult Education: English Literacy and Civics Education | 14109 | 39,233 |
| 84.002A | Adult Education: Voc. and Applied Tech Education | 14109 | <u>733</u> |
| | Subtotal Adult Education Programs: | | <u>303,891</u> |
| | NCLB: Title II Programs: | | |
| 84.367 | NCLB: Title II, Part A, Improving Teacher Quality Local Grants | 14341 | 1,501,385 |
| 84.367 | NCLB: Title II, Part D, Administrator Training (Formerly Principal Training) | 14344 | <u>39,000</u> |
| | Subtotal NCLB: Title II Programs: | | <u>1,540,385</u> |
| | NCLB: Title III Programs: | | |
| 84.365 | NCLB: Title III, Limited English Proficiency (LEP) Student Program | 10084 | 1,552,257 |
| 84.365 | NCLB: Title III, Immigrant Education Program | 15146 | <u>19,735</u> |
| | Subtotal NCLB: Title III Programs: | | <u>1,571,992</u> |
| | Fund for the Improvement of Education: | | |
| 84.215X | Teaching American History | 10128 | 260,370 |
| 84.215E | Readiness and Emergency Management | 14377 | <u>271,110</u> |
| | Subtotal Fund for the Improvement of Education: | | <u>531,480</u> |

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

| Federal Catalog Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|-----------------------------|
| <u>U.S. Department of Education - Passed through California Department of Education (Continued)</u> | | | |
| 84.216 | NCLB: Title I, Capital Expenses/Private Schools | 13953 | \$ 12,641 |
| 84.184 | Safe and Supportive Schools Programmatic Intervention (S3) | 15164 | 100,520 |
| 84.287 | NCLB: Title IV, 21st Century Community Centers Learning Program | 14350 | 1,558,299 |
| 84.181 | Special Education IDEA: Early Intervention Grants, Part C | 23761 | 83,664 |
| 84.048 | Vocational Programs: Voc. and Applied Tech. Prep, Title II, Sec. 203 (Carl Perkins Act) | 13920 | 233,081 |
| 84.125A | Rehabilitation Services - Vocational Rehabilitation | N/A | 207,139 |
| 84.196 | Homeless Children Education (Stewart McKinney) Grants | 13697 | 38,401 |
| 84.410 | Education Jobs Fund (SB 847) | 25152 | 5,451,628 |
| 84.394 | ARRA: State Fiscal Stabilization Fund | 25008 | <u>219,834</u> |
| Total U.S. Department of Education | | | <u>34,023,652</u> |
| <u>U.S. Department of Health and Human Services - Passed through California Department of Education</u> | | | |
| 93.778 | Department of Health Services: Medi-Cal Billing Option (DHS) | 10013 | 623,615 |
| VARIOUS | Other ARRA Programs - Dept of Rehabilitation | 10130 | <u>113</u> |
| Total U.S. Department of Health and Human Services | | | <u>623,728</u> |
| <u>U.S. Department of Agriculture - Passed through California Department of Education</u> | | | |
| Child Nutrition Cluster: | | | |
| 10.555 | School Programs (NSL Sec. 4) | 13391 | 12,109,132 |
| 10.559 | School Programs (Summer Food Service) | 13004 | <u>347,170</u> |
| Subtotal Child Nutrition Cluster | | | <u>12,456,302</u> |
| Total Federal Programs | | | <u>\$ 47,103,682</u> |

See accompanying notes to supplementary information.

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

For the Year Ended June 30, 2012

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

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

**For the Year Ended June 30, 2012
(In Thousands)**

(UNAUDITED)

| | (Budget) 2013 | 2012 | 2011 | 2010 |
|--|--------------------------|---------------------|-------------------|-------------------|
| <u>General Fund</u> | | | | |
| Revenues and other financing sources | \$ 256,786 | \$ 275,556 | \$ 269,254 | \$ 265,299 |
| Expenditures | 266,745 | 269,535 | 259,706 | 265,658 |
| Other uses and transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>927</u> |
| Total outgo | <u>266,745</u> | <u>269,535</u> | <u>259,706</u> | <u>266,585</u> |
| Change in fund balance | <u>\$ (9,959)</u> | <u>\$ 6,021</u> | <u>\$ 9,548</u> | <u>\$ (1,286)</u> |
| Ending fund balance | <u>\$ 52,965</u> | <u>\$ 62,924</u> | <u>\$ 56,903</u> | <u>\$ 47,355</u> |
| Available reserves | <u>\$ 19,773</u> | <u>\$ 22,173</u> | <u>\$ 18,071</u> | <u>\$ 15,109</u> |
| Designated for economic uncertainties | <u>\$ 8,002</u> | <u>\$ 8,169</u> | <u>\$ 7,860</u> | <u>\$ 7,976</u> |
| Undesignated fund balance | <u>\$ 11,771</u> | <u>\$ 14,004</u> | <u>\$ 10,211</u> | <u>\$ 7,133</u> |
| Available reserves as percentages of total outgo | <u>11.86%</u> | <u>8.22%</u> | <u>6.96%</u> | <u>5.67%</u> |
| <u>All Funds</u> | | | | |
| Total long-term liabilities | <u>\$ 892,716</u> | <u>\$ 1,009,279</u> | <u>\$ 918,349</u> | <u>\$ 921,907</u> |
| Average daily attendance at P-2 (not in thousands) | <u>27,482</u> | <u>27,598</u> | <u>27,589</u> | <u>27,614</u> |

The General Fund fund balance has increased by \$14,283,000 over the past three years. The fiscal year 2012-2013 budget projects a decrease of \$9,959,000. For a district this size, the State of California recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred an operating surplus in the fiscal year 2011-2012, and anticipates incurring an operating deficit during the 2012-2013 fiscal year.

Total long-term liabilities have increased by \$87,372,000 over the past two years, due primarily to the issuance of General Obligation Bonds (See Note 6 to the financial statements).

Average daily attendance has increased by 16 over the past two years. The District anticipates a decrease of 116 ADA for the 2012-2013 fiscal year.

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2012

| <u>Charter Schools Chartered by District</u> | <u>Included in District Financial Statements, or Separate Report</u> |
|---|---|
| Manzanita Charter School | Separate Report |
| Leadership High Charter School | Separate Report |
| Richmond College Prep K-5 | Separate Report |
| West Community High School | Separate Report |

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2012.

| <u>Description</u> | <u>CFDA Number</u> | <u>Amount</u> |
|---|------------------------|----------------------|
| Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances | | \$ 50,777,415 |
| Add: State Fiscal Stabilization Funds spent from prior year awards | 84.394 | 219,834 |
| Less: Federal reimbursement of interest paid on Build America Bonds | N/A | (3,114,276) |
| Medi-Cal Billing Funds not spent | 93.778 | (180,435) |
| FEMA Funds not spent | N/A | (906,437) |
| Write off of prior year federal receivables | Various | <u>307,581</u> |
| Total Schedule of Expenditure of Federal Awards | | <u>\$ 47,103,682</u> |

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2012-2013 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2012, the District did not adopt this program.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the compliance of West Contra Costa Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of West Contra Costa Unified School District's management. Our responsibility is to express an opinion on West Contra Costa Unified School District's compliance based on our audit.

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

| <u>Description</u> | <u>Audit Guide Procedures</u> | <u>Procedures Performed</u> |
|---|-----------------------------------|---------------------------------|
| Attendance Reporting | 6 | Yes |
| Teacher Certification and Misassignments | 3 | Yes |
| Kindergarten Continuance | 3 | Yes |
| Independent Study | 23 | Yes |
| Continuation Education | 10 | Yes |
| Instructional Time: | | |
| School Districts | 6 | Yes |
| County Offices of Education | 3 | No, See below |
| Instructional Materials: | | |
| General requirements | 12 | Yes |
| Ratio of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early Retirement Incentive Program | 4 | No, See below |
| Gann Limit Calculation | 1 | Yes |
| School Accountability Report Card | 3 | No, See below |
| Public Hearing Requirement - Receipt of Funds | 1 | Yes |
| Juvenile Court Schools | 8 | Yes |
| Exclusion of Pupils - Pertussis Immunization | 2 | Yes |
| Class Size Reduction Program: | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | No, See below |
| Districts with only one school serving K-3 | 4 | No, See below |

| <u>Description</u> | <u>Audit Guide Procedures</u> | <u>Procedures Performed</u> |
|---|-----------------------------------|---------------------------------|
| After School Education and Safety Program: | | |
| General requirements | 4 | Yes |
| After school | 5 | Yes |
| Before school | 6 | No, See below |
| Contemporaneous Records of Attendance, for charter schools | 3 | No, See below |
| Mode of Instruction, for charter schools | 1 | No, See below |
| Nonclassroom-Based Instruction/Independent Study, for charter schools | 15 | No, See below |
| Determination of Funding for Nonclassroom-Based Instruction, for charter schools | 3 | No, See below |
| Annual Instructional Minutes - Classroom-Based, for charter schools | 4 | No, See below |

We did not perform any procedures related to the Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

The 2011-2012 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2012. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2011-2012 Audit Guide relating to the comparison of tested data from the 2011-2012 fiscal year to the 2011-2012 School Accountability Report Cards.

We did not perform any procedures related to Class Size Reduction Program - Option Two classes, and the Districts with only one school serving K-3 because the District does not offer Option Two, and the District has more than one school serving K-3.

We did not perform any procedures related to After School Education and Safety Program - "Before School" because the District did not operate a Before School program.

We did not perform any procedures related to Contemporaneous Records of Attendance for charter schools, Nonclassroom-Based Instruction/Independent Study for charter schools, Additional Nonclassroom-Based Instructions for charter schools, Determination of Funding for Nonclassroom-Based Instruction for charter schools and Annual Instructional Minutes Classroom-Based for charter schools because the District's charter schools are not included in the District's financial statements.

In our opinion, West Contra Costa Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. Further, based on our examination, for items not tested, nothing came to our attention to indicate that West Contra Costa Unified School District had not complied with the state laws and regulations.

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

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

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

We have audited the financial statements of West Contra Costa Unified School District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of West Contra Costa Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Contra Costa Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Contra Costa Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of West Contra Costa Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-01, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

West Contra Costa Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited West Contra Costa Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of West Contra Costa Unified School District's major federal programs for the year ended June 30, 2012. West Contra Costa Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of West Contra Costa Unified School District's management. Our responsibility is to express an opinion on West Contra Costa Unified School District's compliance based on our audit.

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

In our opinion, West Contra Costa Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of West Contra Costa Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered West Contra Costa Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Contra Costa Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

FINDINGS AND RECOMMENDATIONS

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

Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified not considered to be material weakness(es)? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ☐ Yes ☒ No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------------------|--|
| 84.010, 84.389 | NCLB: Title I, Part A Cluster (Includes ARRA) |
| 84.377 | NCLB: Title I, School Improvement Grants |
| 84.287 | NCLB: Title IV, 21st Century Community Centers Learning Program |
| 84.365 | NCLB: Title III, Limited English Proficiency (LEP) Student Program |
| 84.365 | NCLB: Title III, Immigrant Education Program |
| 84.027, 84.027A, 84.173, 84.391 | Special Education Cluster (Includes ARRA) |
| 84.392 | |
| 84.410 | Education Jobs Fund (SB 847) |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,413,110

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unqualified

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01 SIGNIFICANT DEFICIENCY - ASSOCIATED STUDENT BODY (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

Chavez Elementary School:

- Receipts are not used to document the receipt of funds by the student body accountant.
- Checks for disbursement of funds require a single signer to approve the disbursement with no other means of approval documented.
- Bank reconciliations could not be provided to evidence they had been prepared, and that an independent review of the reconciliation had been completed.

De Anza High School:

- Receipts are not used to document the receipt of funds by the student body accountant/ secretary.
- When receipts are given to the ASB accountant/secretary there is no sign-off by the depositor to indicate he or she agrees with the amount recorded as deposited.
- There is no documentation of formal approval for revenue producing activities in the sample of transactions reviewed.
- Bank reconciliations are not completed on a timely basis.

DeJean Middle School:

- Receipts are not used to document the receipt of funds by the student body accountant.
- Cash count forms are not signed by the Office Manager or the Individual depositing the funds.
- Funds received are not deposited into the Bank account in a timely manner.
- Vendor invoices are not obtained for support in the cash disbursement cycle.
- No record of approval over revenue producing activities is documented or retained.
- Bank reconciliations are not completed on a timely basis.

Gompers High School:

- Bank reconciliations are not completed on a timely basis.

Bank Reconciliations:

- Testing of associated student body cash balances as of June 30, 2012 indicate that nearly all bank reconciliations for the District's elementary sites had not been completed timely, or did not evidence review by an individual independent of the preparation.

The internal control deficiencies at the site level and regarding proper and timely preparation and approval of bank reconciliations aggregate to a significant deficiency in internal controls over associate student body accounting.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2012-01 SIGNIFICANT DEFICIENCY - ASSOCIATED STUDENT BODY (30000)

Effect

There is a risk that ASB funds could be misappropriated.

Cause

Effective internal controls have not been designed and implemented at the school site level.

Fiscal Impact

Not determinable.

Recommendation

All sites:

- Receipts should be issued and signed by both the depositor and the ASB accountant/secretary as evidence that the funds were deposited and both parties agreed to the amount noted as turned in by the depositor.
- Sites should maintain a log to track receipts books issued to clubs. All receipt books which have not been issued to a club should be stored in a safe which is maintained under dual control.
- Funds received by the ASB accountant/secretary should be deposited to the bank account on a timely manner. For sites that do not experience a high volume of ASB activity, any funds received to the ASB office should be deposited during the week received.
- The District should develop and implement a process for ensuring that all revenue producing activities and expenditures are properly approved by all three relevant parties: Principal, ASB Advisor, and Student Representative (for an organized ASB). This approval should be evidenced by their signatures on a disbursement and/or fundraising approval form. Revenue producing activities should also include evidence of approval by the student government.
- All disbursement checks should have two authorized signers required. At least one individual should be someone separate from the normal day to day activity in the ASB account.
- All disbursements should be supported by a vendor invoice, receipt, or other supporting documentation.

Corrective Action Plan

Management agrees with this finding and has been working to implement recommended controls through in-service training of individuals with associated student body responsibility.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2012

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>District Explanation If Not Implemented</u> |
|---|------------------------------|---|
| <p>2011-01</p> <p>During the current year, District management identified capital assets which had not been transferred from work-in-process since the project's completion in March of 2003. The accumulated depreciation of project from the date placed into service through June 30, 2010 has not been recorded in the District's financial statements.</p> <p>District management should implement procedures to ensure that work-in-process is appropriately reconciled to supporting capital asset reports regularly, but at least annually.</p> | Implemented. | |
| <p>2011-02</p> <p>The District sites which have Student Body accounts are not reported in the District's audited financial statements.</p> <p>The District should include the Student Body Accounts in the audited financial statements.</p> | Implemented. | |
| <p>2011-03</p> <p>The District is not enforcing its vacation carryover policy. Employees have exceeded their maximum allowable vacation carryover.</p> <p>All employees should be required to take their earned vacation hours/days in the respective year. Also, the accrual should stop once an employee has reached the maximum permitted per policy.</p> | Implemented. | |
| <p>2011-04</p> <p>The District did not submit interest earned on federal funds for the first and second quarter promptly.</p> <p>The District should implement procedures to ensure that the interest on all federal awards is being remitted to the federal agency at least quarterly.</p> | Implemented. | |