

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COUNTY OF CONTRA COSTA

RICHMOND, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

AND

INDEPENDENT AUDITOR'S REPORT

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2006

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Contra Costa Unified School District, as of and for the year ended June 30, 2006, which collectively comprise West Contra Costa Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except that the omission described in the preceding paragraph results in an incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of West Contra Costa Unified School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006 on our consideration of West Contra Costa Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT

(Continued)

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

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

Perry-Smith LLP

Sacramento, California
October 5, 2006

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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Bruce Harter, Ph.D.
Superintendent of Schools,

Ruth Vedovelli
Associate Superintendent, Business Services

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

Our discussion and analysis of West Contra Costa Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2006. It should be read in conjunction with the District's financial statements.

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

FINANCIAL HIGHLIGHTS

The District's financial position improved over the past year. Overall revenues of \$329.1 million exceeded expenditures by \$10.9 million. Total net assets increased by 5% over the course of the year.

The California Department of Finance officially lowered the loan interest rate from 5.692 percent to 1.532 percent for the life of the loan during 2004/2005. The District is saving approximately \$440,000 per year in interest costs due the refinancing of the loan.

District schools continued their overall trend of improved student achievement and ascending test scores during the seven years that the state has published results of the Academic Performance Index (API). The District increased its API score by 30 points, outpacing gains made by both state (20 points) and county (22 points). The District met all academic proficiency rates as defined by the No Child Left Behind (NCLB) indicators. The District is making Adequate Yearly Progress (AYP) as defined by California Department of Education.

The District is meeting the challenge of No Child Left Behind (NCLB) as evidence by the fact that four elementary schools with Program Improvement (PI) status met their AYP requirements for the second consecutive year and exited Program Improvement.

The voters approved Measure J, which will generate \$400 million dollars in new funds for the District's school construction program.

During the fiscal year the District sold \$100 million of Measure D and \$70 million of Measure J General Obligation Bonds for the renovation and modernization of district schools. When complete, the improvements will result in state of the art schools and classrooms for students, teachers, and the local communities.

Revenue Limit P-2 funded Average Daily Attendance (ADA) decreased by 946 from the prior year. Revenue Limit P-2 funded ADA has decreased by 3,097 over the last three years. Declining ADA is impacting 50 percent of all school districts in California. The District continues to monitor this situation and has made budget reductions to counter the loss of revenue from declining ADA.

The sound financial condition of the District as a whole is reflected in its government wide statements. The government funds reported a combined fund balance of \$347.7 million.

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 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				
		Fund Statements		
Type of Statement	District-wide	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 changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements and 3) notes to the 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 decreases in the net assets of the district over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities and changes in the property tax base of the district need to be considered in assessing the overall health of the district.

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

The District has three kinds of funds:

Governmental funds

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

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

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

Proprietary funds

The proprietary fund category includes Internal Service Funds.

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

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

Fiduciary funds

For assets that belong to others, such as the scholarship fund and/or student activities funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. A separate statement of fiduciary net assets and a statement of 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, 2006 than they were the year before— increasing by \$10.9 million to \$239.5 million as reflected on the next page.

Net Assets

	GOVERNMENTAL ACTIVITIES	
	2006	2005
Current Assets	382,203,660	\$ 264,780,763
Capital Assets	484,684,828	441,284,644
Total Assets	867,888,488	706,065,407
Current Liabilities	54,339,173	65,629,248
Long-term Liabilities	574,023,093	411,840,401
Total Liabilities	628,362,266	477,469,649
Net Assets:		
Invested in Capital Assets, net of related debt	39,655,762	171,910,963
Restricted For:		
Capital Projects	163,134,226	29,767,712
Debt Service	25,303,231	22,335,318
Educational Programs	13,947,437	8,927,010
Other Purposes (Expendable)	12,226,371	11,476,339
Other Purposes (Unexpendable)	2,369,113	607,347
Unrestricted	(17,109,918)	(16,428,931)
Total Net Assets	239,526,222	\$ 228,595,758

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

- The District issued \$170 million in General Obligation Bonds, which will be used to renovate the educational facilities of the District. Through the bond program, together with State apportionments for school facilities, the District has constructed new schools and has begun the process of renovating its existing schools. These activities have increased the capital assets of the District.
- Additional revenue sources from developer fees in the Capital Facilities Fund and State Apportionments for Facilities in the County School Facilities Fund provided significant revenues.

Changes in Net Assets – The District’s total revenues exceeded its expenses by \$10.9 million. Property taxes, State Aid and other general sources accounted for most of the District’s revenues contributing approximately 70 cents per every dollar of revenue received while Federal, State and local grants and contributions for specific purposes provided approximately 30 cents of every dollar of revenue.

	GOVERNMENTAL ACTIVITIES	
	2005-2006	2004-2005
Revenues:		
Program revenues:		
Charges for Services	\$ 1,579,174	\$ 1,636,956
Operating Grants and Contributions	95,750,107	89,650,699
Capital Grants and Contributions	521,910	13,978,054
Total Program Revenues	97,851,191	105,265,709
General Revenues:		
Property Taxes	106,562,078	104,421,667
Federal and State Aid	110,460,438	112,451,965
Interest and Investment Earnings	6,271,369	1,788,281
Interagency revenues	-	674,691
Miscellaneous	8,980,011	8,714,747
Special extraordinary items	(1,026,361)	-
Total General Revenues	231,247,535	228,051,351
Total Revenues	329,098,726	333,317,060
Expenses:		
Instruction	168,026,680	170,321,160
Support Services:		
Administrative	40,441,103	39,487,968
Student Support	26,628,519	25,800,422
Non-Student Support	14,793,633	14,495,181
Plant Services	43,430,228	24,691,806
Ancillary Services	2,489,893	2,266,883
Transfers between agencies	1,079,084	784,936
Interest on long-term debt	21,279,122	19,590,713
Total Expenses	318,168,262	297,439,069
Change in Net Assets	\$ 10,930,464	\$ 35,877,991

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 \$318.2 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 \$97.9 million. The balance of the District's expenditures were paid for by State apportionments for ADA and by local property taxes. Property taxes comprised of \$106,562,078 of this amount while State education aid formulas contributed the remaining \$110,460,438.

	Total Cost 2006	Net (Expense) Revenue 2006	Total Cost 2005	Net (Expense) Revenue 2005
Instruction	\$ 168,026,680	\$ (117,710,532)	\$ 170,321,160	\$ (110,387,848)
Support Services	81,863,255	(37,512,704)	79,783,571	(45,319,426)
Facilities and Plant	43,430,228	(42,374,430)	24,691,806	(15,173,853)
Ancillary Services	2,489,893	(901,270)	2,266,883	(1,081,389)
Other	22,358,206	(21,818,135)	20,375,649	(20,210,844)
Total	<u>\$ 318,168,262</u>	<u>\$ (220,317,021)</u>	<u>\$ 297,439,069</u>	<u>\$ (192,173,360)</u>

THE DISTRICT'S FUNDS

The sound financial position of the District as a whole is reflected in its governmental fund statements. As the District completed the year, its governmental funds reported a combined fund balance of \$347.7 million, well above last year's combined ending fund balance of \$214.5 million. This increase is due to activities in the District's Capital Projects Fund and Building Fund.

General Fund Budgetary Highlights

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

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

The final revised budget of the District reflected anticipated revenues of \$274.5 million against appropriated expenditures of \$274.5 million thus anticipating no change in overall fund balance.

The District took a pro-active approach to reduce expenditures without affecting the instructional programs to the greatest extent possible.

Actual revenues were less than anticipated while actual expenditures were also less than anticipated. The combination of these variances resulted in a higher (\$33.1 million) than projected (\$27.8 million) ending fund balance. This favorable variance was in large part the direct result of the District implementing cost saving strategies such as reduction in overtime.

Summary of Revenues for Governmental Function

The following schedule represents a summary of the general operating fund, special revenue, capital projects fund and debt service fund revenues for the fiscal year ended June 30, 2006, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

	2006	Percent of	Increase (Decrease) From Prior	Percent Increase (Decrease) From
	Fiscal Year	Total	Fiscal Year	Prior Fiscal Year
Revenue Limit Sources	\$ 162,243,512	49%	\$ (424,125)	(0.26%)
Federal	36,415,562	11%	928,759	2.62%
Other State	64,929,104	20%	(10,668,590)	(14.14%)
Other Local	67,441,344	20%	7,876,421	13.22%
Total Revenues	<u>\$ 331,029,522</u>	<u>100%</u>	<u>\$ (2,307,535)</u>	<u>(0.69%)</u>

The following schedule represents a summary of the general operating fund, special revenue, capital projects fund, and debt service fund expenditures for the fiscal year ended June 30, 2006, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

Summary of Expenditures by Object Code

	2006	Percent of	Increase (Decrease)	Percent Increase (Decrease)
	Fiscal Year	Total	From Prior Fiscal Year	From Prior Fiscal Year
Certificated salaries	\$ 115,571,408	30%	\$ 1,478,252	1%
Classified salaries	43,941,123	12%	830,776	2%
Employee benefits	60,158,964	16%	1,654,317	3%
Books and supplies	18,624,880	5%	470,272	3%
Services, other operation expenses	44,395,346	12%	1,662,140	4%
Capital Outlay	58,026,571	15%	(65,885,804)	(53%)
Debit Service:				
Principal	17,679,172	5%	11,511,700	187%
Interest	18,679,512	5%	1,038,291	6%
Other outgo	1,036,358	0%	(1,865,244)	141%
Total Expenditures	\$ 378,113,334	100%	\$ (49,105,300)	(12%)

CAPITAL ASSET AND DEBT ADMINISTRATION

By June 30, 2006, the District had invested \$674.0 million in a broad range of capital assets including land, school buildings, athletic facilities, computer and audio-visual equipment as well as support facilities as reflected in the following table. Additional information about the capital assets of the District can also be found in footnote 4. Total depreciation expense for the year was \$9.7 million while additions to net capital assets amounted to approximately \$54.2 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>			Balance, June 30, 2006
	Balance, July 1, 2005	Additions	Reductions	
Governmental activities:				
Land	\$ 53,314,984		\$ 93,073	\$53,221,911
Site Improvements	44,234,091	\$ 4,486,855		48,720,946
Buildings	238,216,387	216,890,798		455,107,185
Machinery and Equipment	11,894,226	823,844	1,986,855	10,731,215
Construction In Progress	274,281,462		168,020,994	106,260,468
Totals at historical cost	621,941,150	222,201,497	170,100,922	674,041,725
Less: accumulated depreciation				
Site Improvements	(31,899,108)	(3,494,047)		(35,393,155)
Buildings	(142,717,433)	(5,833,421)		(148,550,854)
Machinery and Equipment	(6,039,965)	(326,085)	(953,162)	(5,412,888)
Total accumulated depreciation	(180,656,506)	(9,653,553)	(953,162)	(189,356,897)
Governmental activities, capital Assets, Net	\$ 441,284,644	\$ 212,547,944	\$ 169,147,760	\$ 484,684,828

Long - Term Liabilities

In recent years the District has received approval from the voters to issue \$890 million in bonds. Measure E was approved for \$40 million in November 1998 to fund various capital improvement projects and to construct a new middle school. Measure M in the amount of \$150 million was approved in November 2000 to renovate the elementary schools of the District. 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. Finally, Measure J was approved for \$400 million in November 2005. The District will continue to sell and issue bonds authorized by these measures in amounts necessary to meet the cash flow needs of the construction projects as they progress over the next several years.

At year end the District had \$583.4 million in general obligation bonds and other long-term liabilities outstanding, an increase of 38.8 percent over the prior year. This increase is due to the fact the \$100 million in Measure D and \$70 million in Measure J were sold during the year. These bonds, together with the bonds previously sold (\$385 million) were authorized by the taxpayers of the District and will be repaid from future property tax assessments and will not affect the general operating funds and accounts of the District. Long-term liabilities other than General Obligation Bonds decreased by 0.5 percent to \$39.4 million compared to the prior year.

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

<u>Governmental Activities</u>					
	Balance			Balance	Amounts
	July 1, 2005	Additions	Deductions	June 30, 2006	Due Within One Year
Emergency Apportionment Loan	\$ 16,641,911	\$ -	\$ 1,166,648	\$ 15,475,263	\$ 1,184,521
General Obligation Bonds	380,634,377	169,998,106	6,605,000	544,027,483	7,523,966
1994 Certificates of Participation	9,510,000	10,600,000	9,510,000	10,600,000	260,000
Voluntary Integration Program	5,052,000	-	300,000	4,752,000	300,000
Computer equipment acquisition	4,123,670	181,524	-	4,305,194	-
Compensated absences	3,581,123	34,073	-	3,615,196	-
Child care facilities loan	711,492	-	97,524	613,968	97,524
Total Long-term liabilities	\$ 420,254,573	\$ 180,813,703	\$ 17,679,172	\$ 583,389,104	\$ 9,336,011

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

Notes to Basic Financial Statements

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The District is being proactive in this situation and has begun discussions with the Governing Board, staff and community regarding the needs of the District to facilitate the adoption of a balanced budget for the upcoming 2007-08 fiscal year.

BASIC FINANCIAL STATEMENTS

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 355,972,547
Accounts receivable	24,378,268
Prepaid expenses	2,279,113
Stores inventory	573,732
Capital assets, net of accumulated depreciation (Note 4)	<u>484,684,828</u>
Total assets	<u>867,888,488</u>
LIABILITIES	
Accounts payable	40,108,368
Unpaid claims and claim adjustment expenses (Note 5)	500,000
Deferred revenue	4,364,794
Long-term liabilities (Note 6):	
Due within one year	9,366,011
Due after one year	<u>574,023,093</u>
Total liabilities	<u>628,362,266</u>
NET ASSETS	
Invested in capital assets, net of related debt	39,655,762
Restricted (Note 7)	216,980,378
Unrestricted	<u>(17,109,918)</u>
Total net assets	<u>\$ 239,526,222</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
Governmental activities (Note 4):					
Instruction	\$ 168,026,680		\$ 49,794,238	\$ 521,910	\$ (117,710,532)
Instruction-related services:					
Supervision of instruction	21,873,969		22,071,685		197,716
Instructional library, media and technology	2,642,665		223,276		(2,419,389)
School site administration	15,924,469		1,008,724		(14,915,745)
Pupil services:					
Home-to-school transportation	6,507,533		2,293,058		(4,214,475)
Food services	9,324,146	\$ 1,479,282	8,443,143		598,279
All other pupil services	10,796,840		4,672,333		(6,124,507)
General administration:					
Data processing	2,363,287				(2,363,287)
All other general administration	12,430,346	79,532	4,079,518		(8,271,296)
Plant services	43,430,228	20,360	1,035,438		(42,374,430)
Ancillary services	2,488,925		1,587,655		(901,270)
Community services	968		167		(801)
Other outgo	1,079,084		540,872		(538,212)
Interest on long-term liabilities	21,279,122				(21,279,122)
Total governmental activities	\$ 318,168,262	\$ 1,579,174	\$ 95,750,107	\$ 521,910	(220,317,071)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					67,037,387
Taxes levied for debt service					24,161,244
Taxes levied for other specific purposes					15,363,447
Federal and State aid not restricted to specific purposes					110,460,438
Interest and investment earnings					6,271,369
Special and extraordinary items					(1,026,361)
Miscellaneous					8,980,011
					<u>231,247,535</u>
					Change in net assets 10,930,464
					Net assets, July 1, 2005 <u>228,595,758</u>
					Net assets, June 30, 2006 <u>\$ 239,526,222</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2006

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 19,922,989	\$ 136,061,373	\$ 60,579,215	\$ 216,563,577
Cash on hand and in banks	14,756		17,019	31,775
Cash in revolving fund	70,000			70,000
Cash awaiting deposit	1,278		39,999	41,277
Cash with Fiscal Agent		4,098,663	1,266,258	5,364,921
Investments	10,026,687	114,517,579	7,614,882	132,159,148
Accounts receivable:				
Federal government	6,925,202	2,100	2,295,075	9,222,377
State government	11,032,304		83,671	11,115,975
Local government and other	1,407,731	1,870,351	761,834	4,039,916
Due from other funds			1,741,000	1,741,000
Stores inventory	<u>285,352</u>		<u>288,380</u>	<u>573,732</u>
Total assets	<u><u>\$ 49,686,299</u></u>	<u><u>\$ 256,550,066</u></u>	<u><u>\$ 74,687,333</u></u>	<u><u>\$ 380,923,698</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 12,189,667	\$ 13,576,422	\$ 1,340,028	\$ 27,106,117
Deferred revenue	3,579,275		785,519	4,364,794
Due to other funds	<u>781,000</u>		<u>960,000</u>	<u>1,741,000</u>
Total liabilities	16,549,942	13,576,422	3,085,547	33,211,911
Fund balances	<u>33,136,357</u>	<u>242,973,644</u>	<u>71,601,786</u>	<u>347,711,787</u>
Total liabilities and fund balances	<u><u>\$ 49,686,299</u></u>	<u><u>\$ 256,550,066</u></u>	<u><u>\$ 74,687,333</u></u>	<u><u>\$ 380,923,698</u></u>

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

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

June 30, 2006

Total fund balances - Governmental Funds \$ 347,711,787

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 \$674,041,725 and the accumulated depreciation is \$189,356,897 (Note 4). 484,684,828

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, 2006 consisted of (Note 6):

General Obligation Bonds	\$ (544,027,483)	
Certificates of Participation	(10,600,000)	
Emergency Apportionment Loan	(15,475,263)	
Voluntary Integration Plan	(4,752,000)	
Computer equipment acquisition loan	(4,305,194)	
Child care facilities loan	(613,968)	
Compensated absences	<u>(3,615,196)</u>	
		(583,389,104)

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: 1,175,204

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: (12,935,606)

Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds. 2,279,113

Total net assets - governmental activities \$ 239,526,222

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 92,405,643		\$ 3,303,990	\$ 95,709,633
Local sources	<u>66,533,879</u>			<u>66,533,879</u>
Total revenue limit	<u>158,939,522</u>		<u>3,303,990</u>	<u>162,243,512</u>
Federal sources	28,293,052		8,122,510	36,415,562
Other State sources	59,962,832		4,966,272	64,929,104
Other local sources	<u>20,033,854</u>	<u>\$ 10,270,528</u>	<u>37,136,962</u>	<u>67,441,344</u>
Total revenues	<u>267,229,260</u>	<u>10,270,528</u>	<u>53,529,734</u>	<u>331,029,522</u>
Expenditures:				
Certificated salaries	112,505,984		3,065,424	115,571,408
Classified salaries	38,247,450	629,011	5,064,662	43,941,123
Employee benefits	57,351,233	251,492	2,556,239	60,158,964
Books and supplies	11,210,032	737,295	6,677,553	18,624,880
Contract services and operating expenditures	36,387,752	12,393,456	(4,385,862)	44,395,346
Capital outlay	1,872,884	36,197,193	19,956,494	58,026,571
Other outgo	1,036,358			1,036,358
Debt service:				
Principal retirement	300,000		17,379,172	17,679,172
Interest	<u>181,524</u>		<u>18,497,988</u>	<u>18,679,512</u>
Total expenditures	<u>259,093,217</u>	<u>50,208,447</u>	<u>68,811,670</u>	<u>378,113,334</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,136,043</u>	<u>(39,937,919)</u>	<u>(15,281,936)</u>	<u>(47,083,812)</u>
Other financing sources (uses):				
Operating transfers in	2,879,118		3,900,516	6,779,634
Operating transfers out	(4,378,388)	(2,021,368)	(879,878)	(7,279,634)
Proceeds from the issuance of long-term liabilities	<u>181,524</u>	<u>169,998,106</u>	<u>10,600,000</u>	<u>180,779,630</u>
Total other financing sources (uses)	<u>(1,317,746)</u>	<u>167,976,738</u>	<u>13,620,638</u>	<u>180,279,630</u>
Net changes in fund balances	6,818,297	128,038,819	(1,661,298)	133,195,818
Fund balances, July 1, 2005	<u>26,318,060</u>	<u>114,934,825</u>	<u>73,263,084</u>	<u>214,515,969</u>
Fund balances, June 30, 2006	<u>\$ 33,136,357</u>	<u>\$ 242,973,644</u>	<u>\$ 71,601,786</u>	<u>\$ 347,711,787</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

For the Year Ended June 30, 2006

Net changes in fund balances - Total Governmental Funds \$ 133,195,818

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). \$ 54,180,503

Depreciation of capital assets is an expense that is not
recorded in the governmental funds (Note 4). (9,653,553)

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). (1,126,766)

Issuance of long-term liabilities is an other financing source
in the governmental funds, but increases the long-term
liabilities in the statement of net assets (Note 6). (180,779,630)

Repayment of principal on long-term liabilities is an expend-
iture in the governmental funds, but decreases the long-
term liabilities in the statement of net assets (Note 6). 17,679,172

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. 552,234

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. (3,597,944)

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: 514,703

In the statement of activities, expenses related to compen-
sated 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). (34,073) (122,265,354)

Change in net assets of governmental activities \$ 10,930,464

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

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

June 30, 2006

ASSETS

Cash in County Treasury (Note 2)	\$ 1,721,849
Revolving cash fund (Note 2)	<u>20,000</u>
Total assets	<u>1,741,849</u>

LIABILITIES

Accounts payable	66,645
Unpaid claims and claim adjustment expenses (Note 5)	<u>500,000</u>
Total liabilities	<u>566,645</u>

NET ASSETS

Restricted (Note 7)	<u><u>\$ 1,175,204</u></u>
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The accompanying notes are an integral
part of these financial statements.

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

SELF-INSURANCE FUND

For the Year Ended June 30, 2006

Operating revenues:	
Self-insurance premiums	<u>\$ 2,879,138</u>
Operating expenses:	
Certificated salaries	9,649
Classified salaries	7,747
Employee benefits	2,201
Books and supplies	64,131
Contract services (Note 5)	<u>2,280,707</u>
Total operating expenses	<u>2,364,435</u>
Operating income	514,703
Total net assets, July 1, 2005	<u>660,501</u>
Total net assets, June 30, 2006	<u><u>\$ 1,175,204</u></u>

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

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

For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 2,879,138
Cash paid for salaries and benefits	(19,597)
Cash paid for books and supplies	(20,414)
Cash paid for claims (Note 5)	(1,100,312)
Cash paid for contract services	<u>(1,180,395)</u>
Net cash provided by operating activities	<u>558,420</u>
Increase in cash and cash equivalents	558,420
Cash and cash equivalents, July 1, 2005	<u>1,183,429</u>
Cash and cash equivalents, June 30, 2006	<u><u>\$ 1,741,849</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 514,703
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in:	
Accounts payable	<u>43,717</u>
Net cash provided by operating activities	<u><u>\$ 558,420</u></u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

ALL TRUST AND AGENCY FUNDS

June 30, 2006

	<u>Trust Fund Retiree Benefits Trust</u>	<u>Agency Fund Payroll Clearing Fund</u>	<u>Total</u>
ASSETS			
Cash in County Treasury	\$ 1,836,331	\$ 521,364	\$ 2,357,695
Investments	6,227,895		6,227,895
Accounts receivable:			
Local government and other	<u>71,480</u>	<u>40,492</u>	<u>111,972</u>
Total assets	<u>8,135,706</u>	<u>561,856</u>	<u>8,697,562</u>
LIABILITIES			
Due to regulatory agencies	<u></u>	<u>561,856</u>	<u>561,856</u>
NET ASSETS			
Restricted (Note 7)	<u>\$ 8,135,706</u>	<u>\$ -</u>	<u>\$ 8,135,706</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
RETIREE BENEFITS TRUST FUND
For the Year Ended June 30, 2006

Revenues:	
Other local sources	\$ 12,629,180
Expenditures:	
Contract services and operating expenditures (Note 9)	<u>12,629,044</u>
Operating income	136
Non-operating income:	
Operating transfers in (Note 3)	<u>500,000</u>
Change in net assets	500,136
Net assets, July 1, 2005	<u>7,635,570</u>
Net assets, June 30, 2006	<u><u>\$ 8,135,706</u></u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

The District and the Corporation have a financial and operational relationship that meets the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. The basic, but not the only criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that the nongovernmental unit is dependent on another and the dependent unit should be reported as part of the other.

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2006, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the Corporation Debt Service Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Financial Statements

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

- The 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.
- Change in the fund financial statements to focus on the major funds.

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1. General Fund:

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

2. Special Revenue Funds:

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

3. Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term 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)

A - Governmental Fund Types (Continued)

4. Capital Projects Funds:

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

B - Proprietary Fund

1. Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the District. The Self-Insurance Fund is used to 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 District's defined post-retirement healthcare plan.

2. Agency Fund:

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

Basis of Accounting

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

Accrual

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual

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

Budgets and Budgetary Accounting

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

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund and the Building Fund are presented as supplementary information.

Stores Inventory

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

Cafeteria Food Purchases

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

Capital Assets

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences totaling \$3,615,196 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

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

Deferred Revenue

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

Restricted Net Assets

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

Property Taxes

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Eliminations and Reclassifications

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

Estimates

The preparation of 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.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2006 consisted of the following:

	<u>Governmental Activities</u>			<u>Fiduciary</u>
	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Activities</u>
	<u>Funds</u>	<u>Fund</u>		
Pooled Funds:				
Cash in County Treasury	\$216,563,577	\$ 1,721,849	\$218,285,426	\$ 2,357,695
Cash awaiting deposit	41,277		41,277	
Deposits:				
Cash on hand and in banks	31,775		31,775	
Cash in revolving fund	<u>70,000</u>	<u>20,000</u>	<u>90,000</u>	
Total pooled funds and deposits	<u>216,706,629</u>	<u>1,741,849</u>	<u>218,448,478</u>	<u>2,357,695</u>
Investments:				
Cash with Fiscal Agent	5,364,921		5,364,921	
Investments - Local Agency Investment Fund	<u>132,159,148</u>		<u>132,159,148</u>	<u>6,227,895</u>
Total investments	<u>137,524,069</u>		<u>137,524,069</u>	<u>6,227,895</u>
Total	<u>\$354,230,698</u>	<u>\$ 1,741,849</u>	<u>\$355,972,547</u>	<u>\$ 8,585,590</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

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

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, 2006, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2006, the carrying amount of the District's accounts were \$121,775, and the bank balances were \$146,717. Of the bank balances, all were insured by the FDIC insurance.

Cash with Fiscal Agent

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

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.

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, 2006, 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, 2006, the District had no concentration of credit risk.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2006 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		\$ 781,000
Cafeteria Fund		960,000
Capital Facilities Fund	\$ 960,000	
Corporation Debt Service Fund	<u>781,000</u>	
Totals	<u>\$ 1,741,000</u>	<u>\$ 1,741,000</u>

Interfund Transfers

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

Interfund transfers for the 2005-2006 fiscal year were as follows:

Transfer from the General Fund to the Corporation Debt Service Fund for COP payment.	\$ 781,000
Transfer from the General Fund to the Debt Service Fund for State loan repayment.	1,826,020
Transfer from the General Fund to the Deferred Maintenance Fund for the required match.	1,271,368
Transfer from the General Fund to the Retiree Benefits Fund for payment of future retiree benefits.	500,000
Transfer from the Adult Education Fund to the General Fund for indirect costs.	163,314
Transfer from the Child Development Fund to the General Fund for indirect costs.	201,600
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	492,836
Transfer from the Building Fund to the General Fund for indirect cost reimbursement.	2,021,368
Transfer from the State School Building Fund to reimburse the Capital Facilities Fund for prior advances.	<u>22,128</u>
	<u>\$ 7,279,634</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, 2006 is shown below:

	Balance July 1, 2005	Transfers and Additions	Transfers and Deductions	Balance June 30, 2005
<u>Governmental Activities</u>				
Land	\$ 53,314,984		\$ 93,073	\$ 53,221,911
Buildings	238,216,387	\$ 216,890,798		455,107,185
Site improvements	44,234,091	4,486,855		48,720,946
Equipment	11,894,226	823,844	1,986,855	10,731,215
Work-in-process	<u>274,281,462</u>		<u>168,020,994</u>	<u>106,260,468</u>
Totals, at cost	<u>621,941,150</u>	<u>222,201,497</u>	<u>170,100,922</u>	<u>674,041,725</u>
Less accumulated depreciation:				
Buildings	(142,717,433)	(5,833,421)		(148,550,854)
Site improvements	(31,899,108)	(3,494,047)		(35,393,155)
Equipment	<u>(6,039,965)</u>	<u>(326,085)</u>	<u>(953,162)</u>	<u>(5,412,888)</u>
Total accumulated depreciation	<u>(180,656,506)</u>	<u>(9,653,553)</u>	<u>(953,162)</u>	<u>(189,356,897)</u>
Capital assets, net	<u>\$ 441,284,644</u>	<u>\$ 212,547,944</u>	<u>\$ 169,147,760</u>	<u>\$ 484,684,828</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 8,905,595
Supervision of instruction	28,972
Instructional library, media and technology	13,751
School site administration	141,480
Food services	217,784
Data processing	18,521
All other general administration	197,559
Plant services	<u>129,891</u>
Total depreciation expense	<u>\$ 9,653,553</u>

5. SELF-INSURANCE CLAIMS

The District is self-insured for property and liability claims. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for the payment of claims. For the year ended June 30, 2006, 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.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE CLAIMS (Continued)

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

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 500,000	\$ 750,000
Total incurred claims and claim adjustment expenses	1,100,312	348,583
Total payments	<u>(1,100,312)</u>	<u>(598,583)</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	Amount of Original Issuance	Outstanding July 1, 2005	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2006
Measure E, Refunding Series A	4.15% - 5.7%	2001	2025	\$ 28,610,000	\$ 25,225,000		\$ 830,000	\$ 24,395,000
Measure E, Refunding Series B	4.3% - 6.0%	2001	2024	10,255,000	9,115,000		285,000	8,830,000
Measure M, Series A	5.0% - 8.0%	2001	2031	15,000,000	14,465,000		285,000	14,180,000
Measure M, Series B	4.0% - 6.0%	2001	2031	40,000,000	39,310,000		725,000	38,585,000
Measure M, Series C	2.5% - 5.0%	2003	2032	95,000,000	95,000,000		1,910,000	93,090,000
Measure D, Series A	4.25% - 7.0%	2002	2031	30,000,000	29,460,000		570,000	28,890,000
Measure D, Series B	4.1% - 5.0%	2003	2032	100,000,000	98,060,000		2,000,000	96,060,000
Measure D, Series C, Current Interest	4.0% - 5.0%	2005	2034	40,000,000	40,000,000			40,000,000
Measure D, Series C Capital Appreciation	2.4% - 5.8%	2005	2034	29,999,377	29,999,377			29,999,377
Measure D, Series D, Capital Appreciation	3.15% - 5.05%	2006	2034	99,998,106		\$ 99,998,106		99,998,106
Measure J, Series A	4.0% - 5.0%	2006	2035	70,000,000		70,000,000		70,000,000
				<u>\$ 558,862,483</u>	<u>\$ 380,634,377</u>	<u>\$ 169,998,106</u>	<u>\$ 6,605,000</u>	<u>\$ 544,027,483</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, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 875,000	\$ 1,288,898	\$ 2,163,898
2008	915,000	1,249,863	2,164,863
2009	955,000	1,208,702	2,163,702
2010	1,005,000	1,164,687	2,169,687
2011	1,040,000	1,116,998	2,156,998
2012-2016	6,145,000	4,745,566	10,890,566
2017-2021	8,050,000	2,932,030	10,982,030
2022-2026	<u>5,410,000</u>	<u>534,044</u>	<u>5,944,044</u>
	<u>\$ 24,395,000</u>	<u>\$ 14,240,788</u>	<u>\$ 38,635,788</u>

The annual requirements to amortize the 2001 Refunding Measure E, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 300,000	\$ 499,527	\$ 799,527
2008	305,000	485,592	790,592
2009	330,000	471,148	801,148
2010	345,000	455,326	800,326
2011	360,000	438,110	798,110
2012-2016	2,120,000	1,885,652	4,005,652
2017-2021	2,845,000	1,193,400	4,038,400
2022-2026	<u>2,225,000</u>	<u>271,800</u>	<u>2,496,800</u>
	<u>\$ 8,830,000</u>	<u>\$ 5,700,555</u>	<u>\$ 14,530,555</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2001 Measure M, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 300,000	\$ 739,288	\$ 1,039,288
2008	315,000	714,688	1,029,688
2009	330,000	688,888	1,018,888
2010	345,000	663,828	1,008,828
2011	360,000	642,968	1,002,968
2012-2016	2,005,000	2,927,215	4,932,215
2017-2021	2,480,000	2,367,787	4,847,787
2022-2026	3,125,000	1,766,375	4,891,375
2027-2031	3,990,000	770,286	4,760,286
2032-2036	<u>930,000</u>	<u>23,831</u>	<u>953,831</u>
	<u>\$ 14,180,000</u>	<u>\$ 11,305,154</u>	<u>\$ 25,485,154</u>

The annual requirements to amortize the 2001 Measure M, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 760,000	\$ 1,851,150	\$ 2,611,150
2008	800,000	1,804,350	2,604,350
2009	840,000	1,758,300	2,598,300
2010	885,000	1,718,550	2,603,550
2011	925,000	1,682,350	2,607,350
2012-2016	5,285,000	7,996,732	13,281,732
2017-2021	6,700,000	6,437,165	13,137,165
2022-2026	8,625,000	4,563,125	13,188,125
2027-2031	11,165,000	2,103,125	13,268,125
2032-2036	<u>2,600,000</u>	<u>65,000</u>	<u>2,665,000</u>
	<u>\$ 38,585,000</u>	<u>\$ 29,979,847</u>	<u>\$ 68,564,847</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2003 Measure M, Series C, General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,985,000	\$ 5,360,287	\$ 7,345,287
2008	2,065,000	4,304,700	6,369,700
2009	2,145,000	4,246,713	6,391,713
2010	2,230,000	4,167,150	6,397,150
2011	2,320,000	4,073,362	6,393,362
2012-2016	12,890,000	17,199,810	30,089,810
2017-2021	15,445,000	15,593,179	31,038,179
2022-2026	18,985,000	11,211,125	30,196,125
2027-2031	23,815,000	5,890,625	29,705,625
2032-2036	<u>11,210,000</u>	<u>567,000</u>	<u>11,777,000</u>
	<u>\$ 93,090,000</u>	<u>\$ 72,613,951</u>	<u>\$165,703,951</u>

The annual requirements to amortize the 2002 Measure D, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 595,000	\$ 1,413,195	\$ 2,008,195
2008	625,000	1,370,495	1,995,495
2009	655,000	1,325,695	1,980,695
2010	690,000	1,288,107	1,978,107
2011	725,000	1,258,038	1,983,038
2012-2016	4,065,000	5,794,409	9,859,409
2017-2021	5,035,000	4,769,175	9,804,175
2022-2026	6,395,000	3,357,375	9,752,375
2027-2031	8,200,000	1,542,500	9,742,500
2032-2036	<u>1,905,000</u>	<u>47,625</u>	<u>1,952,625</u>
	<u>\$ 28,890,000</u>	<u>\$ 22,166,614</u>	<u>\$ 51,056,614</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2003 Measure D, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,055,000	\$ 4,567,977	\$ 6,622,977
2008	2,120,000	4,463,602	6,583,602
2009	2,195,000	4,363,958	6,558,958
2010	2,270,000	4,266,240	6,536,240
2011	2,360,000	4,159,116	6,519,116
2012-2016	13,225,000	19,118,933	32,343,933
2017-2021	15,980,000	15,979,975	31,959,975
2022-2026	19,685,000	11,588,875	31,273,875
2027-2031	24,615,000	6,077,347	30,692,347
2032-2036	<u>11,555,000</u>	<u>584,625</u>	<u>12,139,625</u>
	<u>\$ 96,060,000</u>	<u>\$ 75,170,648</u>	<u>\$ 171,230,648</u>

The annual requirements to amortize the 2005 Measure D, Series C, Current Interest General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 645,000	\$ 1,905,473	\$ 2,550,473
2008	675,000	1,872,473	2,547,473
2009	710,000	1,841,398	2,551,398
2010	745,000	1,812,298	2,557,298
2011	780,000	1,781,798	2,561,798
2012-2026	4,525,000	8,392,126	12,917,126
2017-2021	5,695,000	7,332,718	13,027,718
2022-2026	7,280,000	5,738,870	13,018,870
2027-2031	9,425,000	3,606,875	13,031,875
2032-2036	<u>9,520,000</u>	<u>983,250</u>	<u>10,503,250</u>
	<u>\$ 40,000,000</u>	<u>\$ 35,267,279</u>	<u>\$ 75,267,279</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, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 8,966	\$ 1,034	\$ 10,000
2008	139,973	25,027	165,000
2009	260,861	64,139	325,000
2010	372,121	117,879	490,000
2011	470,644	184,356	655,000
2012-2016	3,660,756	2,444,244	6,105,000
2017-2021	4,580,860	5,469,140	10,050,000
2022-2026	6,264,331	11,785,669	18,050,000
2027-2031	7,192,174	20,042,826	27,235,000
2032-2036	<u>7,048,691</u>	<u>27,321,309</u>	<u>34,370,000</u>
	<u>\$ 29,999,377</u>	<u>\$ 67,455,623</u>	<u>\$ 97,455,000</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$	\$
2008	962,117	337,883	1,300,000
2009	1,110,335	459,665	1,570,000
2010	1,254,996	610,004	1,865,000
2011	1,420,186	814,814	2,235,000
2012-2016	12,584,988	4,925,012	17,510,000
2017-2021	18,380,160	14,884,840	33,265,000
2022-2026	20,361,872	27,993,128	48,355,000
2027-2031	22,492,519	46,992,481	69,485,000
2032-2036	<u>21,430,933</u>	<u>62,344,067</u>	<u>83,775,000</u>
	<u>\$ 99,998,106</u>	<u>\$ 159,361,894</u>	<u>\$ 259,360,000</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 2006 Measure J, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2006, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$ 2,333,838	\$ 2,333,838
2008	565,000	3,296,502	3,861,502
2009	1,265,000	3,259,902	4,524,902
2010	1,340,000	3,207,802	4,547,802
2011	1,415,000	3,152,702	4,567,702
2012-2016	8,165,000	14,833,823	22,998,823
2017-2021	10,030,000	12,945,834	22,975,834
2022-2026	12,400,000	10,308,750	22,708,750
2027-2031	15,455,000	6,842,375	22,297,375
2032-2036	<u>19,365,000</u>	<u>2,508,125</u>	<u>21,873,125</u>
	<u>\$ 70,000,000</u>	<u>\$ 62,689,653</u>	<u>\$132,689,653</u>

Certificates of Participation (COPs)

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:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 260,000	\$ 526,018	\$ 786,018
2008	275,000	514,734	789,734
2009	285,000	502,360	787,360
2010	435,000	489,278	924,278
2011	455,000	469,008	924,008
2012-2016	2,640,000	1,996,916	4,636,916
2017-2021	3,360,000	1,272,996	4,632,996
2022-2026	<u>2,890,000</u>	<u>324,448</u>	<u>3,214,448</u>
	<u>\$ 10,600,000</u>	<u>\$ 6,095,758</u>	<u>\$ 16,695,758</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Emergency Apportionment Loan

In July 1990, the District obtained an emergency apportionment loan from the State of California in the amount of \$9,525,000. In May 1991, the District received an additional loan from the State of California for \$19,000,000 under the conditions of a court order. The State of California agreed to restructure the repayment of these loans on June 30, 1993. The restructure provided for the consolidation of the two loans and a 15 year repayment period with annual interest rate of 4.543%. On October 13, 1997, the State of California agreed to restructure the remaining debt following the District's fiscal year 1997-98 payment. The outstanding balance is to be repaid using the straight line amortization method over a 20 year term and bearing interest at 5.692%. Additional legislation, Assembly Bill 2756 on June 21, 2004, reduced the interest rate of the repayment of the emergency apportionment thereby reducing annual payments by approximately \$400,000. Payments are made on February 1 of each year from any available funds of the District and are calculated using a future interest rate of 1.532%.

The revised future principal and interest payments of the loan are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,184,521	\$ 237,081	\$ 1,421,602
2008	1,202,668	218,934	1,421,602
2009	1,221,093	200,509	1,421,602
2010	1,239,800	181,802	1,421,602
2011	1,258,794	162,808	1,421,602
2012-2016	6,589,215	518,795	7,108,010
2017-2021	<u>2,779,172</u>	<u>64,027</u>	<u>2,843,199</u>
	<u>\$ 15,475,263</u>	<u>\$ 1,583,956</u>	<u>\$ 17,059,219</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Voluntary Integration Plan

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

<u>Year Ending June 30,</u>	<u>Total Payments</u>
2007	\$ 300,000
2008	300,000
2009	300,000
2010	300,000
2011	300,000
2012-2016	1,500,000
2017-2021	1,500,000
2022-2026	<u>252,000</u>
Total payments	<u>\$ 4,752,000</u>

Computer Equipment Acquisition Loan

During fiscal year 1989-90, the District financed the acquisition of an administrative and instructional computer system with a loan from IBM. The acquired assets collateralized the loans. Subsequent to June 30, 1993, the District restructured the debt to allow for one payment during fiscal year 1993-94 and the remaining payments of \$3,623,744, represented by \$2,459,111 of principal and \$1,164,633 of interest, payable in fiscal years 2007-08 through 2010-11. The Pooled Money investment rate of 4.402% as of June 30, 1994, was used to impute the interest costs implicit in the repayment amounts. For the year ended June 30, 2006, the accrued imputed interest is \$181,524. Therefore, the carrying amount of the loan at June 30, 2006 is \$4,305,194.

<u>Year Ending June 30,</u>	<u>Total Payments</u>
2007	\$ -
2008	1,250,000
2009	1,250,000
2010	1,250,000
2011	<u>1,250,000</u>
	5,000,000
Less amount representing interest	<u>(694,806)</u>
Total payments	<u>\$ 4,305,194</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, 2006 is \$613,968. The loan balance is to be repaid in ten annual installments.

The following is a schedule of loan repayments:

<u>Year Ending June 30,</u>	<u>Total Payments</u>
2007	\$ 97,524
2008	97,524
2009	97,524
2010	97,524
2011	97,524
2012	<u>126,348</u>
Total payments	<u>\$ 613,968</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2006 is shown below:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 380,634,377	\$ 169,998,106	\$ 6,605,000	\$ 544,027,483	\$ 7,523,966
Certificates of Participation	9,510,000	10,600,000	9,510,000	10,600,000	260,000
Emergency Apportionment Loan	16,641,911		1,166,648	15,475,263	1,184,521
Voluntary Integration Plan	5,052,000		300,000	4,752,000	300,000
Computer equipment acquisition loan	4,123,670	181,524		4,305,194	
Child care facilities loan	711,492		97,524	613,968	97,524
Compensated absences	<u>3,581,123</u>	<u>34,073</u>		<u>3,615,196</u>	
Total	<u>\$ 420,254,573</u>	<u>\$ 180,813,703</u>	<u>\$ 17,679,172</u>	<u>\$ 583,389,104</u>	<u>\$ 9,366,011</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2006:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Restricted for revolving cash	\$ 90,000	
Restricted for prepaid expenses	2,279,113	
Restricted for stores inventory	573,732	
Restricted for unspent categorical program revenues	13,947,437	
Restricted for future payment of self-insured claims	1,155,204	
Restricted for special revenues	10,497,435	
Restricted for debt service	25,303,231	
Restricted for capital projects	163,134,226	
Restricted for retiree benefits		\$ 8,135,706
	<u>\$216,980,378</u>	<u>\$ 8,135,706</u>
Total restricted net assets		

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

Plan Description and Provisions (Continued)

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005-2006 was 9.116% 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, 2004, 2005 and 2006 were \$3,578,987, \$3,410,786 and \$3,069,566, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2005-2006 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, 2004, 2005 and 2006 were \$9,282,479, \$8,958,003 and \$8,401,418, respectively, and equal 100% of the required contributions for each year.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-employment health care benefits to all employees who (1) have been employed by the District continuously for a period of ten years immediately prior to retirement if the retiree is 65 years or older; (2) have been employed continuously by the District for a period of ten years immediately prior to retirement if the employee retire under the age of 65 and has accumulated a total of 30 years in public education including ten years with the District; and (3) have accumulated one additional year (over the ten-year minimum) in the District for each year under 65 at the time of retirement, up to a total of ten additional years (for example, a 58-year-old retiree must have accumulated 17 years of District service immediately prior to retirement). As of June 30, 2006 a total of 1,915 retirees met these requirement.

The District offers retirees a choice of two health maintenance organizations (HMO's) for health benefits and a supplemental Medicare Part A Plan; dental benefits are offered through one insurer. The District pays 100% for the monthly HMO and dental benefit premiums for eligible retirees and their spouses. All eligible retirees and their spouses who qualify for Medicare benefits must apply for and pay premiums to Medicare as prescribed by law. Expenditures for post-employment health care benefits are recognized when paid. During the year ended June 30, 2006, expenditures of \$12,629,044 were recognized for post-employment health care benefits.

10. JOINT POWERS AGREEMENTS

Contra Costa County Schools Insurance Group

The District is a member with other school districts of a Joint Powers Authority, Contra Costa County Schools Insurance Group (CCCSIG), for the operation of a common risk management and insurance program for workers' compensation coverage. The following is a summary of financial information for CCCSIG at June 30, 2005 (the most current information available):

Total assets	\$ 75,323,522
Total liabilities	\$ 74,441,736
Total net assets	\$ 881,786
Total revenues	\$ 40,658,218
Total expenses	\$ 29,751,602
Change in net assets	\$ 10,906,616

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. JOINT POWERS AGREEMENTS (Continued)

Northern California Regional Liability Excess Fund (Nor Cal Relief)

The District is a member with other agencies of a Joint Powers Authority, Northern California Regional Liability Excess Fund (Nor Cal Relief), for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information for Nor Cal Relief at June 30, 2005 (the most current information available):

Total assets	\$ 35,705,251
Total liabilities	\$ 27,489,654
Total net assets	\$ 8,215,597
Total revenues	\$ 33,289,990
Total expenses	\$ 27,538,912
Change in net assets	\$ 5,751,078

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. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations for the fiscal year ended June 30, 2006 in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Capital outlay	\$ 802,495
Building Fund:	
Contract services	\$ 5,464,649

12. CONTINGENCIES

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

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

SUPPLEMENTARY INFORMATION

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

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2006

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 95,299,388	\$ 93,693,640	\$ 92,405,643	\$ (1,287,997)
Local sources	<u>63,676,017</u>	<u>65,589,352</u>	<u>66,533,879</u>	<u>944,527</u>
Total revenue limit	<u>158,975,405</u>	<u>159,282,992</u>	<u>158,939,522</u>	<u>(343,470)</u>
Federal sources	23,094,117	34,428,834	28,293,052	(6,135,782)
Other State sources	52,944,264	61,558,355	59,962,832	(1,595,523)
Other local sources	<u>16,544,934</u>	<u>19,279,172</u>	<u>20,033,854</u>	<u>754,682</u>
Total revenues	<u>251,558,720</u>	<u>274,549,353</u>	<u>267,229,260</u>	<u>(7,320,093)</u>
Expenditures:				
Certificated salaries	108,472,708	114,308,537	112,505,984	1,802,553
Classified salaries	36,907,054	39,346,418	38,247,450	1,098,968
Employee benefits	63,138,997	59,972,632	57,351,233	2,621,399
Books and supplies	14,154,669	16,183,941	11,210,032	4,973,909
Contract services and operating expenditures	28,006,737	42,258,194	36,387,752	5,870,442
Capital outlay	605,157	1,070,389	1,872,884	(802,495)
Other outgo	931,870	947,904	1,036,358	(88,454)
Debt service:				
Principal retirement	300,000	300,000	300,000	
Interest	<u>181,524</u>	<u>181,524</u>	<u>181,524</u>	
Total expenditures	<u>252,698,716</u>	<u>274,569,539</u>	<u>259,093,217</u>	<u>15,476,322</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,139,996)</u>	<u>(20,186)</u>	<u>8,136,043</u>	<u>8,156,229</u>
Other financing sources (uses):				
Operating transfers in	1,583,021	2,918,935	2,879,118	(39,817)
Operating transfers out	(307,020)	(1,578,388)	(4,378,388)	(2,800,000)
Proceeds from the issuance of long-term liabilities	<u>181,524</u>	<u>181,524</u>	<u>181,524</u>	
Total other financing sources (uses)	<u>1,457,525</u>	<u>1,522,071</u>	<u>(1,317,746)</u>	<u>(2,839,817)</u>
Net change in fund balance	317,529	1,501,885	6,818,297	5,316,412
Fund balance, July 1, 2005	<u>26,318,060</u>	<u>26,318,060</u>	<u>26,318,060</u>	
Fund balance, June 30, 2006	<u>\$ 26,635,589</u>	<u>\$ 27,819,945</u>	<u>\$ 33,136,357</u>	<u>\$ 5,316,412</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL
MAJOR FUND - BUILDING FUND
For the Year Ended June 30, 2006

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Other local sources	\$ 1,639,055	\$ 8,546,489	\$ 10,270,528	\$ 1,724,039
Expenditures:				
Classified salaries	658,731	645,715	629,011	16,704
Employee benefits	280,231	258,136	251,492	6,644
Books and supplies	2,000	866,162	737,295	128,867
Contract services and operating expenditures	1,138,404	6,928,807	12,393,456	(5,464,649)
Capital outlay	<u>159,118,083</u>	<u>71,806,140</u>	<u>36,197,193</u>	<u>35,608,947</u>
Total expenditures	<u>161,197,449</u>	<u>80,504,960</u>	<u>50,208,447</u>	<u>30,296,513</u>
Deficiency of revenues under expenditures	<u>(159,558,394)</u>	<u>(71,958,471)</u>	<u>(39,937,919)</u>	<u>32,020,552</u>
Other financing sources (uses):				
Operating transfers out	(2,050,000)	(2,697,696)	(2,021,368)	676,328
Proceeds from the issuance of long-term liabilities	<u>100,000,000</u>	<u>169,998,106</u>	<u>169,998,106</u>	
Total other financing sources (uses)	<u>97,950,000</u>	<u>167,300,410</u>	<u>167,976,738</u>	<u>676,328</u>
Net change in fund balance	(61,608,394)	95,341,939	128,038,819	32,696,880
Fund balance, July 1, 2005	<u>114,934,825</u>	<u>114,934,825</u>	<u>114,934,825</u>	
Fund balance, June 30, 2006	<u>\$ 53,326,431</u>	<u>\$ 210,276,764</u>	<u>\$ 242,973,644</u>	<u>\$ 32,696,880</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2006

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Other Than Capital Outlay Fund	Subtotal
ASSETS							
Cash in County Treasury		\$ 1,709,208	\$ 1,034,427	\$ 391,056	\$ 5,682,917	\$ 1,780	\$ 8,819,388
Cash on hand and in banks		17,019					17,019
Cash with Fiscal Agent							
Cash awaiting deposit							
Investments		1,541,773				823,504	2,365,277
Accounts receivable:							
Federal government		177,236	19,350	2,098,489	47,200		2,295,075
State government				36,471			83,671
Local government and other		228,780	48,795		9,295		286,870
Due from other funds							
Stores inventory				288,380			288,380
Total assets	\$ -	\$ 3,674,016	\$ 1,102,572	\$ 2,814,396	\$ 5,730,117	\$ 834,579	\$ 14,155,680
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 316,061	\$ 95,726	\$ 296,085	\$ 81,895		\$ 789,767
Deferred revenue		310,919	474,600				785,519
Due to other funds				960,000			960,000
Total liabilities		626,980	570,326	1,256,085	81,895		2,535,286
Fund balances		3,047,036	532,246	1,558,311	5,648,222	834,579	11,620,394
Total liabilities and fund balances	\$ -	\$ 3,674,016	\$ 1,102,572	\$ 2,814,396	\$ 5,730,117	\$ 834,579	\$ 14,155,680

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

(Continued)

June 30, 2006

	Capital Facilities Fund	State- School Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Corporation Debt Service Fund	Debt Service Fund	Total
ASSETS							
Cash in County Treasury	\$ 32,415,202		\$ 459,096	\$ 16,605,490		\$ 2,280,039	\$ 60,579,215
Cash on hand and in banks							17,019
Cash with Fiscal Agent						1,027	1,266,258
Cash awaiting deposit	39,999				\$ 1,265,231		39,999
Investments	1,008,225					4,241,380	7,614,882
Accounts receivable:							
Federal government							2,295,075
State government							83,671
Local government and other	244,260		101,640	73,921		55,143	761,834
Due from other funds	960,000				781,000		1,741,000
Stores inventory							288,380
Total assets	<u>34,667,686</u>	<u>\$ -</u>	<u>\$ 560,736</u>	<u>\$ 16,679,411</u>	<u>\$ 2,046,231</u>	<u>\$ 6,577,589</u>	<u>\$ 74,687,333</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 505,187		\$ 45,074				\$ 1,340,028
Deferred revenue							785,519
Due to other funds							960,000
Total liabilities	505,187		45,074				3,085,547
Fund balances	<u>34,162,499</u>		<u>515,662</u>	<u>\$ 16,679,411</u>	<u>\$ 2,046,231</u>	<u>\$ 6,577,589</u>	<u>71,601,786</u>
Total liabilities and fund balances	<u>34,667,686</u>	<u>\$ -</u>	<u>\$ 560,736</u>	<u>\$ 16,679,411</u>	<u>\$ 2,046,231</u>	<u>\$ 6,577,589</u>	<u>\$ 74,687,333</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2006

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Other Than Capital Outlay Fund	Subtotal
Revenues:							
Revenue limit sources:							
State apportionment	\$ (180,769)	\$ 2,984,759		\$ 500,000		\$	\$ 3,303,990
Federal sources		350,598	\$ 214,495	7,557,417			8,122,510
Other State sources		351,770	2,475,106	538,306	\$ 1,271,368		4,636,550
Other local sources		451,620	161,551	1,657,184	267,101	\$ 31,259	2,568,715
Total revenues	(180,769)	4,138,747	2,851,152	10,252,907	1,538,469	31,259	18,631,765
Expenditures:							
Certificated salaries		1,913,957	1,151,467				3,065,424
Classified salaries		683,244	694,579	3,686,839			5,064,662
Employee benefits		604,608	561,441	1,390,190			2,556,239
Books and supplies		179,492	133,280	4,000,283			4,313,055
Contract services and operating expenditures	136,783	305,194	63,085	184,910	1,564,223		2,254,195
Capital outlay		50,386	24,349	41,993	446,183		562,911
Debt service:							
Principal retirement			97,524				97,524
Interest							
Total expenditures	136,783	3,736,881	2,725,725	9,304,215	2,010,406		17,914,010
(Deficiency) excess of revenues (under) over expenditures	(317,552)	401,866	125,427	948,692	(471,937)	31,259	717,755
Other financing sources (uses):							
Operating transfers in							
Operating transfers out		(163,314)	(201,600)	(492,836)			1,271,368
Proceeds from the issuance of long- term liabilities							(857,750)
Total other financing sources (uses)							
Net change in fund balances	(317,552)	238,552	(76,173)	(492,836)	1,271,368		413,618
Fund balances, July 1, 2005	317,552	2,808,484	608,419	1,102,455	4,848,791	803,320	10,489,021
Fund balances, June 30, 2006	-	3,047,036	532,246	1,558,311	5,648,222	834,579	11,620,394

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

(Continued)

For the Year Ended June 30, 2006

	Capital Facilities Fund	State- School Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Corporation Debt Service Fund	Debt Service Fund	Total
Revenues:							
Revenue limit sources:							\$ 3,303,990
State apportionment				\$ 329,722			8,122,510
Federal sources				24,917,175	\$ 82,069	\$ 211,563	4,966,272
Other State sources	\$ 8,813,402	\$ 22,128	\$ 521,910				37,136,962
Other local sources	<u>8,813,402</u>	<u>22,128</u>	<u>521,910</u>	<u>25,246,897</u>	<u>82,069</u>	<u>211,563</u>	<u>53,529,734</u>
Total revenues							
Expenditures:							
Certificated salaries							3,065,424
Classified salaries							5,064,662
Employee benefits							2,556,239
Books and supplies	3,337		2,361,161				6,677,553
Contract services and operating expenditures							(4,385,862)
Capital outlay	1,027,621		(7,667,678)				19,956,494
Debt service:	1,175,781		18,217,802				
Principal retirement				6,605,000	9,510,000	1,166,648	17,379,172
Interest				16,965,666	1,277,368	254,954	18,497,988
Total expenditures	<u>2,206,739</u>		<u>12,911,285</u>	<u>23,570,666</u>	<u>10,787,368</u>	<u>1,421,602</u>	<u>68,811,670</u>
(Deficiency) excess of revenues (under) over expenditures	<u>6,606,663</u>	<u>22,128</u>	<u>(12,389,375)</u>	<u>1,676,231</u>	<u>(10,705,299)</u>	<u>(1,210,039)</u>	<u>(15,281,936)</u>
Other financing sources (uses):							
Operating transfers in	22,128				781,000	1,826,020	3,900,516
Operating transfers out		(22,128)					(879,878)
Proceeds from the issuance of long-term liabilities					10,600,000		10,600,000
Total other financing sources (uses)	<u>22,128</u>	<u>(22,128)</u>			<u>11,381,000</u>	<u>1,826,020</u>	<u>3,020,638</u>
Net change in fund balances	6,628,791		(12,389,375)	1,676,231	675,701	615,981	(12,261,298)
Fund balances, July 1, 2005	<u>27,533,708</u>		<u>12,905,037</u>	<u>15,003,180</u>	<u>1,370,530</u>	<u>5,961,608</u>	<u>73,263,084</u>
Fund balances, June 30, 2006	<u>34,162,499</u>	<u>\$ -</u>	<u>\$ 515,662</u>	<u>\$ 16,679,411</u>	<u>\$ 2,046,231</u>	<u>\$ 6,577,589</u>	<u>\$ 61,001,786</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2006

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

BOARD OF TRUSTEES

Name	Office	Term Expires
Charles Ramsey	President	December 1, 2006
Karen Pfeifer	Clerk	December 1, 2008
David Brown	Member	December 1, 2006
Karen Fenton	Member	December 1, 2008
Glen Price	Member	December 1, 2006

ADMINISTRATION

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

Ruth Vedovelli
Associate Superintendent, Business Services

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2006

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	2,239	2,232
First through Third	6,946	6,914
Fourth through Eighth	10,566	10,487
Home and Hospital	4	4
Special Education	910	903
Non Public Schools	17	25
Community Day School	29	33
Opportunity Schools	<u>44</u>	<u>54</u>
Total Elementary	<u>20,755</u>	<u>20,652</u>
Secondary:		
Regular Classes	7,520	7,374
Special Education	545	532
Compulsory Continuation Education	368	368
Opportunity Schools	36	31
Home and Hospital	11	12
Non Public Schools	<u>58</u>	<u>75</u>
Total Secondary	<u>8,538</u>	<u>8,392</u>
Classes for Adults:		
Concurrently Enrolled	12	12
Classes for Adults	<u>1,124</u>	<u>1,207</u>
Total for Adults	<u>1,136</u>	<u>1,219</u>
	<u>30,429</u>	<u>30,263</u>
	<u>Hours of Attendance</u>	
Summer School:		
Elementary	222,144	222,296
Secondary	<u>142,001</u>	<u>142,333</u>
	<u>364,145</u>	<u>364,629</u>

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2006

<u>Grade Level</u>	<u>1986-87 Minutes Require- ment</u>	<u>1982-83 Actual Minutes</u>	<u>2005-06 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,500	36,000	180	In Compliance
Grades 1 to 3	50,400	45,160	50,455	180	In Compliance
Grades 4 to 6	54,000	45,160	54,035	180	In Compliance
Grades 7 and 8	54,000	45,160	55,887	180	In Compliance
Grades 9 to 12	64,800	52,898	65,061	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, 2006

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</u>			
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	\$ 9,239,372
84.010	NCLB: Title I, Comprehensive School Reform (SB IX Immediate Intervention/Underperforming Schools)	13966	139,040
84.010	NCLB: Title I, Part A, School Improvement, School Assistance and Intervention Teams (SAIT)	14417	53,780
84.010	NCLB: Title I, Part A, School Improvement, School Assistance and Intervention Corrective Actions	14330	51,220
84.010	NCLB: Title I, Part A, Program Improvement District Intervention	14581	823,784
84.186	NCLB: Title IV, Safe and Drug Free Schools and Communities, Formula Grants	14347	217,355
84.216	NCLB: Title I, Capital Expenses/Private Schools	13953	12,641
84.287	NCLB: Title IV, 21st Century Community Centers Learning Program	14350	956,968
84.298A	NCLB: Title V, Part A, Innovative Education Strategies	14354	1,070,780
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	303,164
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14368	783,871
84.357	NCLB: Title I, Part B, Reading First Program - LEA Subgrant	14328	2,067,171
84.365	NCLB: Title III Immigrant Education Program	14346	123,252
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	10084	808,942
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	2,286,921
84.013	NCLB: Title I, Part D, Department of Corrections Adult Neglected and Delinquent	14324	3,973
84.027	Special Education IDEA: Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	5,757,550
84.027A	Special Education IDEA: Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	534,562
84.027A	Special Education IDEA: Local Staff Development Grants, Part B, Sec. 611	13613	3,660
84.027A	Special Education IDEA: Interpreter Certification, Part B, Sec. 611	01802	5,621
84.027	Special Education - Alternative Dispute Resolution, Part B, Sec. 611	13007	16,062
84.027	Special Education IDEA: Quality Assurance & Focused Monitoring, Part B, Sec. 611	13693	32,114

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2006

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 (Continued)</u>			
84.173	Special Education IDEA: Preschool Grant, Part B, Sec 619 (Age 3-4-5)	13430	\$ 350,138
84.173A	Special Education IDEA: Preschool Staff Develop- ment, Part B, Sec. 619	13431	5,290
84.181	Special Education IDEA: Early Intervention Grants, Part C	23761	83,664
84.158	Department of Rehabilitation: Workability II, Transitions Partnership	10006	51,625
84.048	Vocational Programs: Voc. and Applied Tech. Prep, Title II, Sec. 203 (Carl Perkins Act)	13920	319,202
84.278	School-to-Work (School-to-Career)	10009	12,107
84.196	Homeless Children Education (Stewart McKinney) Grants	13697	160,000
84.330	Advanced Placement Test Fee	13917	402,165
84.215	Character Education	03063	85,696
84.334A	Other Federal: California State Gear Up Program	10088	318,560
84.184B	Mentoring Program Grants	*	168,024
84.351C	Learning Without Borders	*	106,039
84.126A	Transition Program - Department of Rehabilitation	*	216,407
84.002A	Adult Education: Adult Basic Education and ESL	13973	132,300
84.002A	Adult Education: Adult Secondary Education	13978	30,150
84.002	Adult Education: Family Literacy	13977	134,100
84.002A	Adult Education: English Literacy and Civics Education	14109	<u>50,175</u>
Total U.S. Department of Education			<u>27,917,445</u>
<u>U.S. Department of Health and Human Services</u>			
93.778	Department of Health Services: Medi-Cal Billing Option (DHS)	10013	589,739
94.004	CalServe - Learn and Serve America Service Grants	13161	71,466
93.596	Child Development: Federal Child Care, Center- Based	13609	195,144
93.575	Child Development: Quality Improvement - Playground Equipment	13942	<u>19,350</u>
Total U.S. Department of Health and Human Services			<u>875,699</u>

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2006

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 Agriculture</u>			
10.555	Child Nutrition: School Programs (NSL Sec. 4)	13391	\$ 5,808,096
10.553	Child Nutrition: School Programs (School Breakfast Basic)	13390	1,513,878
10.559	Child Nutrition: Summer Food Service Program Operations	13004	<u>235,444</u>
	Total U.S. Department of Agriculture		<u>7,557,418</u>
<u>U.S Department of Labor</u>			
17.255	Workforce Investment Act (SIA), Formerly JTPA	03422	<u>65,000</u>
	Total Federal Programs		<u><u>\$ 36,415,562</u></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, 2006

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

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

**For the Year Ended June 30, 2006
(In Thousands)**

	(Budget)			
	2007	2006	2005	2004
<u>General Fund</u>				
Revenues and other financing sources	\$ 261,385	\$ 270,289	\$ 262,559	\$ 246,334
Expenditures	257,859	259,093	252,313	249,549
Other uses and transfers out	<u>3,502</u>	<u>4,378</u>	<u>2,330</u>	<u>3,861</u>
Total outgo	<u>261,361</u>	<u>263,471</u>	<u>254,643</u>	<u>253,410</u>
Change in fund balance	<u>\$ 24</u>	<u>\$ 6,818</u>	<u>\$ 7,916</u>	<u>\$ (7,076)</u>
Ending fund balance	<u>\$ 33,160</u>	<u>\$ 33,136</u>	<u>\$ 26,318</u>	<u>\$ 18,402</u>
Available reserves	<u>\$ 13,429</u>	<u>\$ 13,419</u>	<u>\$ 11,441</u>	<u>\$ 9,765</u>
Designated for economic uncertainties	<u>\$ 8,240</u>	<u>\$ 8,240</u>	<u>\$ 5,521</u>	<u>\$ 5,400</u>
Undesignated fund balance	<u>\$ 5,189</u>	<u>\$ 5,179</u>	<u>\$ 5,920</u>	<u>\$ 4,365</u>
Available reserves as percentages of total outgo	<u>5.07%</u>	<u>5.09%</u>	<u>4.49%</u>	<u>3.85%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 574,023</u>	<u>\$ 583,389</u>	<u>\$ 420,255</u>	<u>\$ 356,378</u>
Average daily attendance at P-2, excluding Adult and Charter School	<u>29,143</u>	<u>29,293</u>	<u>30,239</u>	<u>31,417</u>

The General Fund fund balance has increased by \$7,658,000 over the past three years. The fiscal year 2006-2007 budget projects an increase of \$24,000. For a district this size, the State of California recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the 2006-2007 fiscal year.

Total long-term liabilities have increased by \$227,011,000 over the past two years, due primarily to the issuance of General Obligation Bonds (Note 6 to the financial statements).

Average daily attendance has decreased by 2,124 over the past two years. The District anticipates a decrease of 150 ADA for the 2006-2007 fiscal year.

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2006

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
Manzanita Charter School	Separate Report
Leadership High Charter School	Separate Report

See accompanying notes to
supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

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

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

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2006-2007 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2006, the District did not adopt this program.

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

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

We have audited the compliance of West Contra Costa Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the State laws and regulations listed below for the year ended June 30, 2006. Compliance with the requirements of State laws and regulations is the responsibility of West Contra Costa Unified School District's management. Our responsibility is to express an opinion on West Contra Costa Unified School District's compliance based on our audit.

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

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	22	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Center/Programs	6	No, see below
Instructional Time:		
School Districts	4	Yes
County Offices of Education	3	No, see below
Community Day Schools	9	No, see below
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
Morgan-Hart Class Size Reduction Program	7	No, see below
Instructional Materials:		
General requirements	12	Yes
Grades K-8	1	Yes
Grades 9-12	1	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes

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

(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
School Construction Funds:		
School District Bonds	3	No, see below
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	No, see below
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education Program	3	No, see below
School Accountability Report Card	3	No, see below
Contemporaneous Records of Attendance, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Additional Nonclassroom-Based Instruction, for charter schools	1	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	3	No, see below

We did not perform any procedures related to Regional Occupational Center/Programs or Cal-SAFE because the District does not offer these programs.

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 testing for Community Day Schools because the ADA reported is below the level required for testing.

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 Morgan-Hart Class Size Reduction because the District does not participate in the program.

We did not perform any procedures related to Early Retirement Incentive Program and Alternative Pension Plans because the District did not offer these programs in the current year.

We did not perform any procedures related to School Construction Funds - School District Bonds because the District has only Proposition 39 Bonds in the current year.

The 2005-2006 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, 2006. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2005-2006 Audit Guide relating to the comparison of tested data from the 2005-2006 fiscal year to the 2005-2006 School Accountability Report Cards.

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

(Continued)

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 with the State laws and regulations referred to above for the year ended June 30, 2006. Further, based on our examination, for items not tested, nothing came to our attention to indicate that West Contra Costa Unified School District had not complied with the State laws and regulations.

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

Patty - Smith CPA

Sacramento, California
October 5, 2006

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

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

We have audited the financial statements of West Contra Costa Unified School District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

UP

Sacramento, California
October 5, 2006

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

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

Compliance

We have audited the compliance of West Contra Costa Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. West Contra Costa Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major Federal programs is the responsibility of West Contra Costa Unified School District's management. Our responsibility is to express an opinion on West Contra Costa Unified School District's compliance based on our audit.

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

In our opinion, West Contra Costa Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

(Continued)

Internal Control Over Compliance (Continued)

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

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

Perry - Smith LLP

Sacramento, California
October 5, 2006

FINDINGS AND RECOMMENDATIONS

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

Year Ended June 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified not considered
to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	NCLB: Title I Cluster
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology Cluster
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants
10.555, 10,553, 10,559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 1,092,467

Auditee qualified as low-risk auditee? _____ Yes X No

STATE AWARDS

Internal control over State programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified not considered
to be material weaknesses? _____ Yes X None reported

Type of auditor's 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, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

1. CASH RECONCILIATION (30000)

Criteria

Internal Controls- Safeguarding of Assets

Conditions

One of the District's revolving cash accounts with a balance at June 30, 2006 of \$20,000 in the Self-Insurance Fund was not reconciled and reviewed on a monthly basis.

Effect

There is a potential for misappropriation of assets.

Cause

District personnel were not following appropriate reconciliation and review procedures.

Fiscal Impact

Not applicable.

Recommendation

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

Corrective Action Plan

The District concurs with this finding. This account was created to pay claims and other expenses related to our Self Insurance Program and are maintained under contract by our third party claims administrator, Keenan and Associates. This account is reimbursed as needed based on detailed invoicing from the administrator, which is reviewed and approved by District staff prior to authorizing reimbursement. In the future, the administrator has agreed to prepare Revolving Fund Reconciliation on a form specified by the District. This reconciliation, and a most recent bank statement, will be submitted with the billings for the District's review and approval.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. ASSOCIATED STUDENT BODY PROCEDURES (30000)

Criteria

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

Conditions

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

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

Effect

None noted.

Cause

Elementary school personnel are not aware of the District's student body policies.

Fiscal Impact

Not applicable.

Recommendation

The District should implement and enforce internal controls, including:

- Separated accounts by clubs/groups.
- An individual independent of the cash receipts process should reconcile bank deposit slips to the receipts issued to student club representatives.
- Use disbursement forms to show approval of expenditures.
- Apply expenditures to proper clubs/group account.
- Note/mark on invoice when materials/goods are received.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2. ASSOCIATED STUDENT BODY PROCEDURES (30000) (Continued)

Corrective Action Plan

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

3. ACCOUNTS PAYABLE (30000)

Criteria

Internal Controls- Safeguarding of Assets

Condition

One accounts payable item was improperly included in the accounts payable account for the fiscal year 2005-2006.

Effect

Overstatement of accounts payable.

Cause

The District booked an accounts payable instead of prepaid expense for services to be rendered in fiscal year 2006-2007.

Fiscal Impact

Total accounts payable is overstated by \$98,361.

Recommendation

We recommend that the District review all invoices at and after year end to ensure that liabilities at year end are properly recorded.

Corrective Action Plan

The District concurs with this finding. The District will review all invoices to ensure proper recording of expenses.

4. VACATION ACCRUAL (30000)

Criteria

Internal Controls- Safeguarding of Assets

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

4. VACATION ACCRUAL (30000) (Continued)

Conditions

The District is not enforcing its vacation carryover policy. Employees have exceeded their maximum allowable vacation carryover.

Effect

The District has allowed employees to exceed their maximum allowable accrued vacation. The total excess accrual is approximately \$987,059.

Cause

The District is not enforcing the approved vacation policy.

Fiscal Impact

Not determinable.

Recommendation

We recommend the District to enforce the accrued vacation policy.

Corrective Action Plan

The District concurs with this finding. The Senior Director of Restricted Programs / Payroll has established new procedures to reduce the excess vacation accrual. On a quarterly basis, department managers will be notified of individuals whose vacation accrual exceeds the allowable limit. The department managers will work with their staff to reduce the excess vacation accrual to the District's limit.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2006

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, 2006

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, 2006

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2005-1 Associated Student Body Procedures (30000)</p> <p>For several of the schools tested, the following opportunities exist for enhancing internal controls in Associated Student Body:</p> <ul style="list-style-type: none"> • One individual is responsible for cash receipts, deposits, and bank reconciliations. • Balance Sheets and Profit and Loss Statements are not prepared and distributed to student clubs. • An individual independent of the cash receipts process should reconcile bank deposit slips to the receipts issued to student club representatives. • Balance Sheets and Profit and Loss Statements should be prepared monthly for each student club. 	<p>Not implemented.</p>	<p>See current year finding #3.</p>
<p>2005-2 Associated Student Body Procedures (30000)</p> <p>We noted the following exceptions during testing of the student body cash receipts and cash disbursements at one elementary school:</p> <ul style="list-style-type: none"> • Accounts are not being separated by clubs/groups, there are currently two accounts one for the library and a general account. • No disbursements forms are being used to show approval of expenditures. • Expenditures that are not relating to the library fund are charged to the general fund. • There is no notation indicating receipt of materials/goods received. <p>The District should implement and enforce internal controls, including:</p> <ul style="list-style-type: none"> • Separated accounts by clubs/groups. • Use disbursement forms to show approval of expenditures. • Apply expenditures to proper clubs/group account. • Note/mark on invoice when materials/goods are received. 	<p>Not implemented.</p>	<p>See current year finding #3.</p>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2006

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2005-3 Cash (30000)</p> <p>Two of the District's cash accounts with balances at June 30, 2005 of \$88,520 in the General Fund were not reconciled and reviewed on a monthly basis.</p> <p>All bank accounts should be reconciled to the book balance and be reviewed in a timely manner.</p>	Not implemented.	See current year finding #2.
<p>2005-4 Attendance Accounting (10000)</p> <ul style="list-style-type: none"> At Richmond High School four students were improperly included for a total misstatement of 4 days. At Kensington Elementary School three students were improperly included for a total misstatement of 5 days. At Juan Crespi Middle School one student was improperly included for a total of 1 day. At Bayview Elementary School two students were improperly included for a total misstatement of 2 days. At Stewart Elementary School one student was improperly included for a total misstatement of 1 day. At Harding Elementary School three students were improperly included for a total misstatement of 4 days. At Washington Elementary School three students were improperly included for a total misstatement of 4 days. At Downer Elementary School seven students were improperly included for a total misstatement of 8 days. <p>The District should revise and resubmit the Period Two and Annual Reports of Attendance, reflecting the removal of the disallowed ADA. In addition, the District should implement policies and procedures to ensure that attendance data is reconciled to supporting documents and properly reflected in the Reports of Attendance.</p>	Implemented.	

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2006

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2005-5 Kindergarten Continuation (10000)	Implemented.	
<p>The retention form for one student at Washington Elementary School did not have the approving official's signature on the form.</p> <p>The District should perform a review of the continuation forms, to ensure all of the required elements are included in form and content, before preparing Period Two and Annual Reports of Attendance. In addition, the District should revise and re-submit the Period Two Report of Attendance, reflecting the removal of the disallowed ADA.</p>		