

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
Richmond, California

**2010 MEASURE D AND 2005 MEASURE J**  
**GENERAL OBLIGATION BONDS**  
**FINANCIAL STATEMENTS**

June 30, 2012

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
Richmond, California

2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
June 30, 2012

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
FINANCIAL SECTION:	
COMBINED BALANCE SHEET .....	2
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE .....	3
NOTES TO BASIC FINANCIAL STATEMENTS .....	4
OTHER REPORTS OF INDEPENDENT AUDITORS:	
REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	10
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	12
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS.....	13

## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying combined financial statements of West Contra Costa Unified School District (the "District") 2010 Measure D and 2005 Measure J General Obligation Bonds (the "Bonds"), as of and for the year ended June 30, 2012, as listed in the Table of Contents. These combined financial statements are the responsibility of West Contra Costa Unified School District's management. Our responsibility is to express an opinion on these combined 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements of the Bonds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the financial activity and balances of the 2010 Measure D and 2005 Measure J General Obligation Bonds only, and do not purport to, and do not, present the financial position and results of operations of West Contra Costa Unified School District as a whole, in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the 2010 Measure D and 2005 Measure J General Obligation Bonds of the District as of June 30, 2012, and the changes in financial position 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 March 18, 2013 on our consideration of the District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, as they relate to the combined financial statements. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
March 18, 2013

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
 2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
 COMBINED BALANCE SHEET  
 June 30, 2012

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	<u>2010</u> <u>Measure D</u>	<u>2005</u> <u>Measure J</u>	<u>Combined</u>
<b>ASSETS</b>			
Cash and investments (Note 2):			
Cash in County Treasury	\$ 39,766,084	\$ -	\$ 39,766,084
Cash with Fiscal Agent	61,489	11,338,218	11,399,707
Investments	-	65,505,228	65,505,228
Accounts receivable	17,818	59,691	77,509
Due from Measure J	<u>46,714,071</u>	<u>-</u>	<u>46,714,071</u>
Total assets	<u>\$ 86,559,462</u>	<u>\$ 76,903,137</u>	<u>\$ 163,462,599</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 4,322,051	\$ 24,102,476	\$ 28,424,527
Due to Measure D	<u>-</u>	<u>46,714,071</u>	<u>46,714,071</u>
Total liabilities	<u>4,322,051</u>	<u>70,816,547</u>	<u>75,138,598</u>
Fund balance – restricted (Note 3)	<u>82,237,411</u>	<u>6,086,590</u>	<u>88,324,001</u>
Total liabilities and fund balance	<u>\$ 86,559,462</u>	<u>\$ 76,903,137</u>	<u>\$ 163,462,599</u>

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See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
 2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGE IN FUND BALANCE  
 For the Year Ended June 30, 2012

	<u>2010</u> <u>Measure D</u>	<u>2005</u> <u>Measure J</u>	<u>Combined</u>
Revenues:			
Interest income	\$ -	\$ 245,063	\$ 245,063
Other local revenue	<u>-</u>	<u>51,637</u>	<u>51,637</u>
Total revenues	<u>-</u>	<u>296,700</u>	<u>296,700</u>
Expenditures:			
Classified salaries	3,135	793,422	796,557
Employee benefits	217	317,478	317,695
Non-capitalized equipment and supplies	392,983	2,011,412	2,404,395
Professional services	2,055,995	3,744,408	5,800,403
Capital outlay	<u>9,610,259</u>	<u>81,586,622</u>	<u>91,196,881</u>
Total expenditures	<u>12,062,590</u>	<u>88,453,342</u>	<u>100,515,931</u>
Deficiency of revenues under expenditures	(12,062,589)	(88,156,642)	(100,219,231)
Other financing sources (uses):			
Interfund transfers out (Note 5)	(5,700,000)	-	(5,700,000)
Proceeds from sale of bonds	<u>100,000,000</u>	<u>-</u>	<u>100,000,000</u>
Change in fund balance	82,237,411	(88,156,642)	(5,919,231)
Fund balance, July 1, 2011	<u>-</u>	<u>94,243,232</u>	<u>94,243,232</u>
Fund balance, June 30, 2012	<u>\$ 82,237,411</u>	<u>\$ 6,086,590</u>	<u>\$ 88,324,001</u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of West Contra Costa Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure D and J Bonds are recorded along with other activities in the District's Building Fund. 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 (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the activity and balances of the Measure D and J General Obligation Bonds, only. The activities of the Measure D and J General Obligation Bonds are recorded along with other activities in the District's Building Fund. These financial statements are not intended to present the financial position and results of operations of West Contra Costa Unified School District as a whole.

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

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

The District's Board of Education and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

As a first step in developing the bond construction program, the District together with its Bond team consultants, completed an evaluation of all elementary and secondary schools in order to develop a recommended priority ranking of elementary, middle and high schools. This ranking was based on several factors, including structural design and safety considerations. Based on this evaluation, elementary and secondary schools of the District were ranked in order of need on separate lists with the most needy schools being ranked highest. In addition, preliminary budgets were developed for each school based on the evaluation. Throughout this process, cost estimations were completed and budgets were revised. The budgets presented in this report are based on the most up to date information available. As milestones are reached in the design phase and as construction bids are approved, the individual school project budgets will be revised and presented to the governing board for their review and approval.

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(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District's construction program is not based solely on the proceeds from bonds. The District has other sources of revenue to fund some of the required expenditures. Budgets for the renovation of all schools are prepared and maintained together with all potential resources in order to keep track of the entire school renovation program, not just the sites being funded by currently available bond dollars. The supplementary information included in this report is based on the project based budget concept and, therefore, presents the total project budget for all schools of the District together with all potential revenue sources rather than just the campuses being worked on at the present time.

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

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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. Actual results could differ from those estimates.

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

**NOTE 2 – CASH AND INVESTMENTS**

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

Pooled Funds:	
Cash in County Treasury	\$ 39,766,083
Investments:	
Cash with Fiscal Agent	\$ 11,399,707
Investments – Local Agency Investment Fund	\$ 65,505,228

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

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

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(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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

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.

Investments – 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. 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, 2012, the District had no significant interest rate risk related to cash and investments held.

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

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

**NOTE 3 – FUND BALANCE CLASSIFICATION**

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the combined 2005 Measures J and 2010 Measure D General Obligation Bonds are restricted, as described below.

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(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

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**NOTE 3 – FUND BALANCE CLASSIFICATION** (Continued)

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**NOTE 4 – GENERAL OBLIGATION BOND ISSUES**

The bonds are general obligations of the District, and Contra Costa County is obligated to levy ad valorem taxes for the payment of and interest on, the principal of the bonds. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

2010 Measure D: On November 8, 2011, the District issued \$79,000,000 of Measure D, Series A bonds to fund the acquisition, construction, reconstruction and modernization of school facilities. The interest rates range from 3.00% to 5.25%. The final maturity date is August 1, 2041.

On November 8, 2011, the District issued \$21,000,000 of Measure D, Series A-1 bonds to fund the acquisition, construction, reconstruction and modernization of school facilities. The bonds were issued as Qualified School Construction Bonds, and are eligible to receive direct cash subsidy payments from US Treasury relating to the interest payable. The bonds bear interest at a rate of 6.25%, and mature through August 1, 2030.

2005 Measure J: In 2005, the District received authorization through Measure J from the November 8, 2005 election, to issue up to \$400,000,000 of bonds. The bonds are general obligations of the District and Contra Costa County is obligated to levy ad valorem taxes for the payment of the interest on and the principal of the bonds.

On May 17, 2006, the District issued \$70,000,000 of Measure J, Series A bonds to fund the acquisition, construction, reconstruction and modernization of school facilities. The interest rate ranges from 4.0% to 5.0%. The final maturity date is August 1, 2035.

On July 1, 2008, the District issued \$120,000,000 of Measure J, Series B bonds to fund the acquisition, construction, reconstruction and modernization of school facilities. The interest rate ranges from 5.0% to 6.0%. The final maturity date is August 1, 2035.

On September 3, 2009, the District issued \$104,909,760 of Measure J, Series C bonds to fund the acquisition, construction, reconstruction and modernization of school facilities. The interest rate ranges from 3% to 12%. The final maturity date is August 1, 2034.

On June 24, 2010, the District issued \$27,499,949 of Measure J, Series D bonds to fund the acquisition, construction, reconstruction and modernization of school facilities. The interest rate ranges from 6.55% to 10.28%. The final maturity date is August 1, 2036.

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(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

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**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. The interfund transfers for the year ended June 30, 2012 are as follows:

Transfer to the District's General Fund to offset legal costs related to refunding of General Obligation bonds.	\$ 3,500,000
Transfer to the District's General Fund to cover costs associated with the purchase of the Munis accounting system.	<u>2,200,000</u>
	<u>\$ 5,700,000</u>

**NOTE 6 – PURPOSE OF BOND ISSUANCE**

Bond Authorization – 2010 Measure D: By approval of the proposition for Measure D by at least 55% of the registered voters voting on the proposition at an election held on June 8, 2010, the West Contra Costa Unified School District was authorized to issue and sell bonds of up to \$380,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List included in the measure. The District has issued \$79,000,000 General Obligation Bonds, Election of 2010, Series A, dated November 8, 2011 and \$79,000,000 General Obligation Bonds, Election of 2010, Series A-1, dated November 8, 2011.

Bond Authorization – 2005 Measure J: By approval of the proposition for Measure J by at least 55% of the registered voters voting on the proposition at an election held on November 8, 2005, the West Contra Costa Unified School District was authorized to issue and sell bonds of up to \$400,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List included in the measure. The District has issued \$70,000,000 General Obligation Bonds, Series A, dated May 17, 2006, \$120,000,000 General Obligation Bonds, Series B, dated July 1, 2008, \$104,909,760 General Obligation Bonds, Series C, dated September 3, 2009, and \$27,499,949 General Obligation Bonds, Series D, dated June 24, 2010.

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

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

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(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

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**NOTE 6 – PURPOSE OF BOND ISSUANCE** (Continued)

Bond Project List: The Bond Project List, which is an integral part of the proposition, lists the specific projects the District proposes to finance with proceeds of the bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed at individual campuses. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering and similar planning costs, construction management and customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. In addition, certain construction funds expected from on-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore, the Board of Education cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

Further Specifications

*No Administrator Salaries – 2010 Measure D and 2005 Measure J*

Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

REPORT OF INDEPENDENT AUDITORS 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*

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

We have audited the basic financial statements of West Contra Costa Unified School District (the "District") 2010 Measure D and 2005 Measure J General Obligation Bonds (the "Bonds"), as of and for the year ended June 30, 2012, and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of the District's 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 amounts shown on the basic financial statements. 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, Citizen's Oversight Committee and West Contra Costa Unified School District's management, and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Horwath LLP*

Crowe Horwath LLP

Sacramento, California  
March 18, 2013

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2012

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No matters were reported.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT  
2010 MEASURE D AND 2005 MEASURE J GENERAL OBLIGATION BONDS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2012

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No matters were reported.