

*In the opinion of Quint & Thimmig LLP, San Francisco, California, and Harrison Taylor Law Group, Oakland, California, (together "Co-Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "**LEGAL MATTERS — Tax Matters**" herein.*

**\$69,999,376.75**  
**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
(Contra Costa County, California)  
**General Obligation Current Interest Bonds**  
**Election of 2002, Series C**

**Consisting of:**  
**\$40,000,000 Current Interest Bonds**  
**and**  
**\$29,999,376.75 Capital Appreciation Bonds**



**Dated:** Current Interest Bonds: August 1, 2004  
Capital Appreciation Bonds: Date of Delivery

**Due:** August 1, as shown below

The West Contra Costa Unified School District General Obligation Bonds, Election of 2002, Series C (the "Bonds") in the aggregate principal amount of \$69,999,376.75, consisting of \$40,000,000 Current Interest Bonds (the "Current Interest Bonds"), and \$29,999,376.75 Capital Appreciation Bonds (the "Capital Appreciation Bonds"), are issued by the Board of Supervisors of Contra Costa County (the "County") on behalf of the West Contra Costa Unified School District (the "District"). The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates,) for the payment of principal or accreted value of, premium, if any, and interest on, the Bonds, all as more fully described herein under "**THE BONDS — Security and Sources of Payment**", and "**SCHOOL DISTRICT PROPERTY TAXATION**".

The Current Interest Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof. Interest with respect to the Current Interest Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2005. The Capital Appreciation Bonds will be delivered in denominations such that the accreted value of each such Capital Appreciation Bond on the stated maturity date thereof will be \$5,000 or an integral multiple thereof (except that the first numbered Capital Appreciation Bond may be issued in a denomination such that the accreted value on the stated maturity date thereof shall not be in an integral multiple of \$5,000.) No payments are due to the Owners of the Capital Appreciation Bonds until the maturity dates of the respective Capital Appreciation Bonds. The Bonds will be initially issued in book-entry form only, registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Principal, accreted value, premium, if any, and interest on the Bonds will be payable to DTC. DTC is obligated to remit such principal, accreted value, premium, if any, and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "**THE BONDS — Book-Entry System**" and "**Discontinuation of Book-Entry System**" herein. The Current Interest Bonds are subject to redemption as described herein. The Capital Appreciation Bonds are not subject to redemption prior to maturity. See "**THE BONDS — Redemption**" herein.

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



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

**A. LOPEZ & ASSOCIATES LLC**

**MATURITY SCHEDULE**

(See inside cover page)

*The Bonds were sold at competitive sale on July 28, 2004. The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval of their legality by Quint & Thimmig LLP, San Francisco, California, and Harrison Taylor Law Group, Oakland, California, Co-Bond Counsel. Certain legal matters are being passed upon for the District by the District's General Counsel and by Sidley Austin Brown & Wood LLP, Los Angeles, California, as Disclosure Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York, on or about August 11, 2004.*

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

## MATURITY SCHEDULE

### \$40,000,000 Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Maturity (August 1)	Principal Amount	Interest Rate	Yield
2006	\$ 645,000	5.000%	1.80%	2017	\$1,085,000	4.250%	4.25%
2007	675,000	5.000	2.20	2018	1,135,000	4.250	4.32
2008	710,000	4.000	2.60	2019	1,190,000	4.500	4.50
2009	745,000	4.000	3.00	2020	1,250,000	4.500	4.60
2010	780,000	4.000	3.20	2021	1,310,000	5.375	4.54*
2011	820,000	4.000	3.45	2022	1,380,000	5.375	4.62*
2012	860,000	4.000	3.65	2023	1,450,000	5.500	4.70*
2013	905,000	4.000	3.80	2024	1,530,000	5.500	4.78*
2014	950,000	4.250	3.90	2025	1,610,000	5.000	5.01
2015	990,000	4.000	4.05	2026	1,695,000	5.000	5.07
2016	1,035,000	4.100	4.16	2027	1,785,000	5.000	5.00

\$3,860,000 5.00% Term Bond due August 1, 2029, reoffered at 5.04%  
 \$11,605,000 5.00% Term Bond due August 1, 2034, reoffered at 5.13%

\*Priced to the call

(Plus accrued interest from August 1, 2004)

### \$29,999,376.75 Capital Appreciation Bonds

Maturity (August 1)	Denominational Amount	Final Accreted Value	Yield to Maturity	Reoffering Price to Maturity	Maturity (August 1)	Denominational Amount	Final Accreted Value	Yield to Maturity	Reoffering Price to Maturity
2006	\$ 8,965.90	\$ 10,000	2.40%	95.403%	2021	\$1,172,700.00	\$ 3,000,000	5.27%	41.360%
2007	139,972.80	165,000	2.85	91.932	2022	1,109,550.00	3,000,000	5.35	38.717
2008	260,861.25	325,000	3.27	87.911	2023	1,294,778.00	3,700,000	5.44	36.120
2009	372,120.70	490,000	3.56	83.907	2024	1,327,711.00	4,010,000	5.53	33.639
2010	470,643.70	655,000	3.77	80.006	2025	1,359,591.80	4,340,000	5.61	31.337
2011	567,683.10	835,000	4.02	75.767	2026	1,390,162.90	4,690,000	5.68	29.210
2012	656,115.00	1,020,000	4.20	71.794	2027	1,417,674.75	5,055,000	5.73	27.313
2013	739,473.30	1,215,000	4.38	67.790	2028	1,440,850.50	5,430,000	5.76	25.632
2014	814,827.75	1,415,000	4.51	64.098	2029	1,462,424.50	5,825,000	5.78	24.100
2015	882,657.00	1,620,000	4.65	60.388	2030	1,481,061.90	6,235,000	5.79	22.708
2016	948,556.80	1,840,000	4.76	56.938	2031	1,499,082.50	6,670,000	5.80	21.392
2017	731,640.00	1,500,000	4.87	53.570	2032	1,626,772.50	7,650,000	5.81	20.148
2018	692,250.00	1,500,000	4.98	50.293	2033	1,967,736.00	9,780,000	5.81	19.027
2019	1,039,227.00	2,380,000	5.08	47.185	2034	1,955,099.90	10,270,000	5.81	17.968
2020	1,169,186.20	2,830,000	5.19	44.114					

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation, or sale.

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

The information set forth herein, other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed by the District as to accuracy or completeness, and is not to be construed as a representation by the District. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

*The following sentence has been provided by Financial Guaranty Insurance Company for inclusion in this Official Statement:*

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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## **WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

### **Board of Education**

*Charles T. Ramsey  
President*

*Glen Price  
Clerk*

*George A. Harris III  
Member*

*Patricia A. Player  
Member*

*Karen Leong Fenton  
Member*

### **Administration**

*Dr. Gloria L. Johnston  
Superintendent*

*Ruth A. Vedovelli  
Assistant Superintendent,  
Fiscal Services*

*Vince Kilmartin  
Associate Superintendent  
for Operations*

## **PROFESSIONAL SERVICES**

### **Financial Advisor**

*A. Lopez & Associates LLC  
Oakland, California*

### **Co-Bond Counsel**

*Quint & Thimmig LLP  
San Francisco, California*

*Harrison Taylor Law Group  
Oakland, California*

### **Disclosure Counsel**

*Sidley Austin Brown & Wood LLP  
Los Angeles, California*

### **Paying Agent**

*BNY Western Trust Company  
San Francisco, California*

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## TABLE OF CONTENTS

INTRODUCTION.....	1
The District .....	1
Authority for Issuance of the Bonds .....	2
Sources of Payment for the Bonds.....	2
Purpose of the Bonds.....	2
Description of the Bonds .....	2
Tax Matters.....	2
Offering and Delivery of the Bonds .....	3
Professionals Involved in the Offering.....	3
THE BONDS .....	4
Authority for Issuance.....	4
Purpose of the Bonds .....	4
Description of the Bonds .....	4
Security and Sources of Payment for the Bonds .....	5
Investment of Bond Proceeds .....	5
Estimated Sources and Uses of Funds .....	6
Semiannual Debt Payments.....	6
Redemption .....	8
Bond Transfer and Exchange.....	9
Book-Entry System.....	9
Discontinuation of Book-Entry Only System.....	11
BOND INSURANCE.....	12
Payments Under the Policy .....	12
Financial Guaranty Insurance Company .....	13
Financial Guaranty's Credit Ratings.....	14
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS .....	14
Limitations on Revenues .....	14
Expenditures and Appropriations .....	16
SCHOOL DISTRICT PROPERTY TAXATION .....	17
<i>Ad Valorem</i> Property Taxation .....	17
Assessed Valuation .....	17
Utility Assessment .....	18
Tax Levies, Collections and Delinquencies.....	19
Tax Rates .....	20
Major Taxpayers.....	21
GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION.....	22
State Funding of Education .....	22
Allocation of State Funding to Districts.....	23
Other Sources of Education Funding .....	23
District Budget Process and County Review.....	24
County Investment Pool .....	25
Accounting Practices .....	25
STATE BUDGET.....	25
The Budget Process .....	26
Recent Developments Regarding State Economy and Finances .....	26
Prior Fiscal Years' Budgets .....	27
Fiscal Year 2003/04 Budget .....	27
Fiscal Year 2004/05 Budget.....	27
THE DISTRICT .....	29
General Information.....	29

Average Daily Attendance and Revenue Limit.....	29
Appropriations Limit.....	29
Lottery Income.....	30
Labor Relations .....	30
Retirement Programs .....	30
Assessment District.....	30
Comparative Financial Statements .....	32
District Debt Structure .....	33
Statement of Direct and Overlapping Debt.....	36
COUNTY INVESTMENT POLICIES AND PRACTICES.....	38
PRIOR FINANCIAL HISTORY OF THE DISTRICT .....	39
General.....	39
Financial Difficulties.....	39
The 1988 Certificates .....	40
Loans From the State of California.....	40
Bankruptcy of the District.....	40
Assembly Bill 535 .....	41
Assembly Bill 536 .....	41
Assembly Bill 437 .....	42
Management Changes .....	42
The Five-Year Plan.....	42
ECONOMIC PROFILE .....	43
Introduction.....	43
Population.....	43
Employment.....	44
Largest Employers.....	46
Commercial Activity.....	46
Median Household Income.....	47
Building Activity .....	48
LEGAL MATTERS .....	48
Tax Matters.....	48
Legality for Investment in the State of California.....	49
No Litigation.....	49
Legal Opinion .....	49
MISCELLANEOUS.....	49
Ratings .....	49
Underwriting .....	50
Financial Advisor .....	50
Continuing Disclosure.....	50
Closing Papers .....	50
Additional Information.....	51
APPENDIX A – FORM OF FINAL OPINION OF CO-BOND COUNSEL.....	A-1
APPENDIX B – EXCERPTS FROM DISTRICT'S 2002/03 AUDITED FINANCIAL STATEMENTS .....	B-1
APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	C-1
APPENDIX D – ACCRETED VALUE TABLES.....	D-1
APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.....	E-1



**\$69,999,376.75**  
**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**(Contra Costa County, California)**  
**General Obligation Current Interest Bonds**  
**Election of 2002, Series C**

**Consisting of:**  
**\$40,000,000 Current Interest Bonds**  
**and**  
**\$29,999,376.75 Capital Appreciation Bonds**

## **INTRODUCTION**

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

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$69,999,376.75 West Contra Costa Unified School District General Obligation Bonds, Election of 2002, Series C (the "Bonds"), consisting of \$40,000,000 Current Interest Bonds (the "Current Interest Bonds"), and \$29,999,376.75 Capital Appreciation Bonds (the "Capital Appreciation Bonds"), as described more fully herein.

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

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of District or Bond documents referred to herein and information concerning the Bonds are available from the District through the Assistant Superintendent, Fiscal Services, West Contra Costa Unified School District, 1108 Bissell Avenue, Richmond, CA 94801-3135, Telephone: (510) 620-2241. The District may impose a charge for copying, mailing and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or Owners (as defined herein) of any of the Bonds.

### **The District**

The District is located in Contra Costa County (the "County"), California (the "State"), approximately 15 miles northeast of San Francisco. The District encompasses approximately 110 square miles and provides educational services to the residents of the cities of El Cerrito, Hercules, Pinole, Richmond and San Pablo, the unincorporated communities of El Sobrante and Kensington and certain other unincorporated areas within the County. The District's average daily attendance ("ADA") for fiscal year 2004/05 is projected to be 31,420 and its 2004/05 general fund expenditures are projected to be approximately \$246 million. Taxable property in the District has a 2003/04 assessed valuation of approximately \$17.4 billion. See **"THE DISTRICT"** and **"SCHOOL DISTRICT PROPERTY TAXATION"** herein.

### **Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the California Education Code and other applicable law, and pursuant to resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County. The District received authorization to issue \$300,000,000 of bonds at an election held on March 5, 2002, by an affirmative vote of more than fifty-five percent of the votes cast, under the provisions of the State Constitution and applicable laws. See **"THE BONDS — Authority for Issuance"** herein.

### **Sources of Payment for the Bonds**

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

### **Purpose of the Bonds**

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

### **Description of the Bonds**

*Denominations.* The Current Interest Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds will be issued in denominations such that the accreted value of each such Capital Appreciation Bond on the stated maturity date will be \$5,000 or an integral multiple thereof (except that the first numbered Capital Appreciation Bond may be issued in a denomination such that the accreted value of such Capital Appreciation Bond shall not be in an integral multiple of \$5,000.) See **"THE BONDS — Description of the Bonds"** herein.

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

*Payments.* Interest on the Current Interest Bonds is payable semiannually each February 1 and August 1, commencing February 1, 2005. Principal of the Current Interest Bonds is payable on August 1 in each year due, as set forth on the cover page hereof. Interest on the Capital Appreciation Bonds will be compounded semiannually at the yield set forth on the inside cover page and on every February 1 and August 1, commencing on February 1, 2005, and will be payable at maturity of the Capital Appreciation Bonds. See **"THE BONDS — Description of the Bonds"** herein.

*Redemption.* The Current Interest Bonds are subject to redemption as described herein. The Capital Appreciation Bonds are not subject to redemption prior to maturity. See **"THE BONDS — Redemption"** herein.

### **Tax Matters**

In the opinion of Quint & Thimmig LLP, San Francisco, California, and Harrison Taylor Law Group, Oakland, California, Co-Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in

determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. Other federal tax consequences of the Bonds, if any, are not addressed in the opinion. See "**LEGAL MATTERS — Tax Matters**" herein.

#### **Offering and Delivery of the Bonds**

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of their legality by Quint & Thimmig LLP, San Francisco, California, and Harrison Taylor Law Group, Oakland, California, Co-Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York, on or about August 11, 2004.

#### **Professionals Involved in the Offering**

A. Lopez & Associates LLC, Oakland, California, is acting as Financial Advisor to the District with respect to the Bonds. Quint & Thimmig LLP, San Francisco, California, and Harrison Taylor Law Group, Oakland, California, are acting as Co-Bond Counsel to the District with respect to the Bonds. Sidley Austin Brown & Wood LLP, Los Angeles, California, is acting as Disclosure Counsel to the District. BNY Western Trust Company, San Francisco, California, will act as the District's paying agent, registrar and transfer agent (the "Paying Agent") with respect to the Bonds. A. Lopez & Associates LLC, Quint & Thimmig LLP, Harrison Taylor Law Group, and Sidley Austin Brown & Wood LLP will receive compensation from the District contingent upon the sale and delivery of the Bonds.

### **END OF INTRODUCTION**

## THE BONDS

### Authority for Issuance

The Bonds are issued under the provisions of Section 15140 of the California Education Code (the "Education Code"), and other applicable law, and pursuant to resolutions adopted by the Board of Education of the District on June 16, 2004, and by the Board of Supervisors of the County on July 6, 2004 (collectively, the "Resolution").

The District received authorization to issue \$300,000,000 of bonds at an election held on March 5, 2002, by an affirmative vote of more than fifty-five percent of the votes cast, under the provisions of the State Constitution and applicable laws (the "2002 Authorization"). The District has previously issued \$30,000,000 aggregate principal amount of General Obligation Bonds, Election of 2002, Series A, dated June 1, 2003, and \$100,000,000 aggregate principle amount of General Obligation Bonds, Election of 2002, Series B, dated August 1, 2003, under the 2002 Authorization. The Bonds represent the third series under the 2002 Authorization.

### Purpose of the Bonds

Bond proceeds will be used to finance specific construction and modernization projects listed in the 2002 Authorization, summarized as follows:

*"To complete repairing all of our schools, improve classroom safety and relieve overcrowding through such projects as: building additional classroom; making seismic upgrades; repairing and renovating bathrooms, electrical plumbing, heating and ventilation systems, leaking roofs, and fire safety systems; shall West Contra Cost Unified School District issue \$300 million in bonds at authorized interest rates, to renovate, acquire, construct and modernize school facilities, and appoint a citizens' oversight committee to monitor that funds are spent accordingly."*

### Description of the Bonds

The Bonds will be issued as fully registered bonds, (i) with respect to the Current Interest Bonds, in denominations of \$5,000 principal amount or any integral multiple thereof, and (ii) with respect to the Capital Appreciation Bonds, in denominations such that the accreted value of such Capital Appreciation Bonds at maturity will be \$5,000 or any integral multiple thereof (except that the first numbered Capital Appreciation Bond may be issued in a denominational amount such that the accreted value at maturity of such Capital Appreciation Bond shall not be in an integral multiple of \$5,000.) The Bonds will initially be registered in the name of Cede & Co., as nominee for DTC. DTC will act as security depository of the Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC Participant (as defined herein) and ownership interests in Bonds will be recorded as entries on the books of said Participant. Except in the event that use of this book-entry system is discontinued for the Bonds, Beneficial Owners (as defined herein) will not receive physical certificates representing their ownership interests. See **"Book-Entry System"** and **"Discontinuation of Book-Entry System"** in this section.

The Current Interest Bonds shall be dated August 1, 2004, and shall bear interest at the rates set forth on the inside cover page hereof, payable on February 1 and August 1 of each year to maturity, or on the date of the earlier redemption thereof, commencing on February 1, 2005 (each, an "Interest Payment Date"), calculated on a 30/360 day basis.

No payments are due to Owners of the Capital Appreciation Bonds until the maturity dates of such Capital Appreciation Bonds. Interest on the Capital Appreciation Bonds shall be compounded semiannually at the yields set forth on the inside front cover of this Official Statement, on each February 1 and August 1, commencing February 1, 2005, until maturity, assuming in any year that the accreted value of such Capital Appreciation Bond accrues on a 30/360 day basis, and shall be payable only at maturity. A table of accreted values (as of each February 1, and August 1) of the Capital Appreciation Bonds of each maturity per \$5,000 accreted value at maturity is attached hereto as **APPENDIX D**. The accreted value on any date other than February 1 and August 1 of any year shall be calculated by straight-line interpolation. Such table is presented for illustrative purposes only. Any accreted value determined by

computing interest in accordance with the terms of the Resolution shall control over any different accreted value determined by reference to such table.

See the maturity schedule on the cover page hereof and **"Semiannual Debt Payments"** in this section.

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

### **Security and Sources of Payment for the Bonds**

The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates,) for the payment of principal or accreted value of, and the interest on the Bonds. Such taxes, when collected, will be deposited in the Interest and Sinking Fund. Monies in the Interest and Sinking Fund will be applied solely for the payment of interest on, accreted value of, and principal of the Bonds. After the sale of the Bonds, the District will have \$381,634,376.75 (including denominational amount of the Capital Appreciation Bond) of outstanding bonds payable from *ad valorem* taxes and will have remaining outstanding authorized bonds of \$100 million from the 2002 Authorization after the issuance of the Bonds. For further information regarding the District's overlapping debt structure, see **"THE DISTRICT — Statement of Direct and Overlapping Debt"** herein.

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

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

### **Investment of Bond Proceeds**

The proceeds from the sale of the Bonds, in the amount of the principal or denomination amount thereof, shall be paid to the County to the credit of the building fund of the District (the "Building Fund") and shall be accounted for separately from all other District and County funds. Such proceeds shall be applied solely for purposes authorized by the voters under the 2002 Authorization. An amount equal to accrued interest and bid premium, if any, on the sale of the Bonds will be deposited to the Interest and Sinking Fund, to be used only for payment of principal of and interest on outstanding bonds of the District. A portion of the proceeds deposited into the Building Fund will be deposited by the District in a Costs of Issuance Fund held by the Paying Agent and used to pay costs associated with the issuance of the Bonds. Any balance therein after payment of such costs shall be transferred to the Treasurer for deposit in the Building Fund.

Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund. Monies in the Building Fund, the Interest and Sinking Fund, and the costs of issuance fund shall be invested in any one or more investments generally permitted to school districts under the laws of the State as authorized under Sections 16429.1 and 53601 *et seq.* of the California Government Code, in shares in a California common law trust established pursuant to California law which invests exclusively in investments permitted by Section 53635 of the California Government Code, in the Local Agency Investment Fund held by the State Treasurer, or in investment agreements with a financial institution or insurance company which has, at the date of execution thereof, one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations, or a claims paying ability, rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's and Moody's Investors Service.

### Estimated Sources and Uses of Funds

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

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

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<b>Sources of Funds</b>	
Principal Amount of Current Interest Bonds	\$40,000,000.00
Denominational Amount of Capital Appreciation Bonds	29,999,376.75
Original Issue Premium on Current Interest Bonds	333,598.30
Original Issue Premium on Capital Appreciation Bonds	517,783.00
Accrued Interest on Current Interest Bonds	53,377.71
Total Sources	<u>\$70,904,135.76</u>
<b>Uses</b>	
Deposit to Building Fund	\$69,779,376.75
Underwriting Spread <sup>(1)</sup>	835,383.00
Deposit to Costs of Issuance Fund <sup>(2)</sup>	220,000.00
Deposit to Interest and Sinking Fund <sup>(3)</sup>	69,376.01
Total Uses	<u>\$70,904,135.76</u>

<sup>(1)</sup> Includes cost of bond insurance and underwriter's compensation.

<sup>(2)</sup> Includes estimated fees for rating agencies, Co-Bond Counsel, Financial Advisor, printing and distribution of the Official Statement, and miscellaneous costs of issuing the Bonds.

<sup>(3)</sup> Represents accrued interest and bid premium, of \$15,998.30.

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### Semiannual Debt Payments

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

## 2002 Authorization

2

## Redemption

### *Current Interest Bonds*

Optional Redemption. The Current Interest Bonds maturing on or before August 1, 2013, are not subject to redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on and after August 1, 2014, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2013, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, plus a premium (expressed as a percentage of the principal amount of the Current Interest Bonds to be redeemed) as set forth in the following table:

<u>Redemption Dates</u>	<u>Redemption Premium</u>
August 1, 2013 through July 31, 2014	1%
August 1, 2014 and thereafter	0

Mandatory Sinking Fund Redemption. The Current Interest Bonds maturing on August 1, 2029 are subject to mandatory sinking fund redemption in part by lot on August 1 of each year beginning August 1, 2028, at the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amounts and at the times, as follows:

<u>Redemption Date</u>	<u>Redemption Amount</u>
<u>August 1</u>	
2028	\$1,880,000
2029 (Maturity)	1,980,000

The Current Interest Bonds maturing on August 1, 2034 are subject to mandatory sinking fund redemption in part by lot on August 1 of each year beginning August 1, 2030, at the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amounts and at the times, as follows:

<u>Redemption Date</u>	<u>Redemption Amount</u>
<u>August 1</u>	
2030	\$2,085,000
2031	2,195,000
2032	2,315,000
2033	2,440,000
2034 (Maturity)	2,570,000

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of \$5,000, by any portion of the Current Interest Term Bond optionally redeemed prior to the mandatory sinking fund redemption date.

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

Notice of Redemption. Notice of redemption of any Current Interest Bond will be given by the Paying Agent, upon written instruction from the District, not less than 30 nor more than 45 days prior to the redemption date (i) by registered or certified mail, postage prepaid, to the respective Owners designated for redemption at their addresses appearing on the bond registration books; (ii) by registered



or certified mail, postage prepaid or telephonically confirmed facsimile transmission or overnight delivery service to each of the securities depositories; (iii) by registered or certified mail, postage prepaid or overnight delivery service, to one of the information services; and (iv) as may be further required in accordance with the Continuing Disclosure Certificate of the District. See **"APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE"**.

Each notice of redemption will contain the following information: (i) the Current Interest Bonds or designated portions thereof (in the case of redemption of Current Interest Bonds in part but not in whole) which are to be redeemed, (ii) the date of redemption, (iii) the place or places where redemption will be made, including the name and address of the Paying Agent, (iv) the redemption price, (v) the CUSIP numbers, if any, assigned to the Current Interest Bonds to be redeemed; (vi) the numbers of the Current Interest Bonds to be redeemed in whole or in part, and in the case of any Current Interest Bond to be redeemed in part only, the principal amount of such Current Interest Bond to be redeemed, and (vii) the original issue date, interest rate or reoffering yield and stated maturity date of each Current Interest Bond to be redeemed in whole or in part. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Current Interest Bond or portion thereof being redeemed, the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue. Neither failure to receive or failure to publish any redemption notice nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds.

**Effect of Notice of Redemption.** When notice of redemption has been given as described above, and when the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Interest and Sinking Fund, the Current Interest Bonds to be redeemed shall become due and payable on such date of redemption.

#### *Capital Appreciation Bonds*

The Capital Appreciation Bonds are not subject to redemption prior to maturity.

#### *Defeasance of Bonds*

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

#### **Bond Transfer and Exchange**

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

#### **Book-Entry System**

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

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or

such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

#### **Discontinuation of Book-Entry Only System**

In the event that the book-entry system described above is no longer used with respect to the Bonds, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office the registration books for the Bonds (the "Bond Register"), and to make payments to the Owners on each bond payment date, which will be February 1 and August 1 of each year commencing February 1, 2005, with respect to the interest on the Current Interest Bonds, and August 1 of each year commencing August 1, 2006, with respect to the principal on the Current Interest Bonds or accreted value on the Capital Appreciation Bonds (each a "Bond Payment Date"). Interest, principal and accreted value, as applicable, shall be made to the person appearing on the Bond Register as the Owner as of the as of the 15<sup>th</sup> day of the month preceding each Bond Payment Date (the "Record Date").

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

The principal and prepayment premiums, if any, payable on the Current Interest Bonds and the accreted value of the Capital Appreciation Bonds, shall be payable at maturity, or, in the case of the Current Interest Bonds, upon redemption prior to maturity, upon surrender at the principal office of the Paying Agent.

Any Bond may be exchanged for other Bonds of like tenor, maturity and transfer amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the transfer amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Capital Appreciation Bonds and Current Interest Bonds may not be exchanged for one another.

## BOND INSURANCE

*Financial Guaranty has supplied the following information for inclusion in this Official Statement. No representation is made by the District or the underwriter as to the accuracy or completeness of this information.*

### Payments Under the Policy

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. If the Bonds are accelerated or become subject to mandatory redemption, Financial Guaranty will be obligated to pay principal (or accreted value, if applicable) and interest on the originally scheduled principal (including mandatory sinking fund redemption) and interest payment dates. Upon such payment, Financial Guaranty will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure Bonds, Financial Guaranty may be granted certain rights under the Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law. The Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

## Financial Guaranty Insurance Company

Financial Guaranty, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, and provides financial guaranty insurance for public finance and structured finance obligations. Financial Guaranty is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom. Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation, a Delaware corporation.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. GE Capital retained approximately \$234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. Financial Guaranty is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles ("SAP") and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including Financial Guaranty, to financial guaranty insurance and certain related lines.

For the three months ended March 31, 2004, and the years ended December 31, 2003 and December 31, 2002, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately \$11.3 billion, \$42.4 billion and \$47.9 billion par value of securities, respectively (of which approximately 50%, 79% and 81%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately \$56.4 million, \$260.3 million and \$232.6 million, respectively. For the three months ended March 31, 2004, Financial Guaranty had reinsured, through facultative arrangements, approximately 0.3% of the risks it had written.

As of March 31, 2004, Financial Guaranty had net admitted assets of approximately \$2.864 billion, total liabilities of approximately \$1.728 billion, and total capital and policyholders' surplus of approximately \$1.136 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of Financial Guaranty as of March 31, 2004, and the audited financial statements of Financial Guaranty as of December 31, 2003 and December 31, 2002, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by the Issuer with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

Financial Guaranty also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of Financial Guaranty's most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park

Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

### **Financial Guaranty's Credit Ratings**

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. Financial Guaranty does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

**Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE." In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.**

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS**

*This section discusses Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, Propositions 218 and 111, and certain other provisions of California law, in order to describe the potential effect of these constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the authority and obligation of the County to levy an ad valorem property tax as necessary for payment of the Bonds. See "THE BONDS — Security and Sources of Payment" and "SCHOOL DISTRICT PROPERTY TAXATION" herein. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C and all applicable laws.*

### **Limitations on Revenues**

**Article XIII A of the California Constitution.** Article XIII A of the California Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value", and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A, as subsequently amended, provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond proposition. The tax for the payment of the Bonds falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975/76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation

enacted by the Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

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

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

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

*Article XIII C and Article XIII D of the California Constitution.* On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act". Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIII C also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The California Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or

repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes which are pledged as security for payment of the Bonds. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees or assessments imposed by the District.

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

### **Expenditures and Appropriations**

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

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

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

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

*Future Initiatives.* Article XIII A, Article XIIB, Article XIIC, Article XIID, as well as Propositions 218 and 111, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.



## SCHOOL DISTRICT PROPERTY TAXATION

### **Ad Valorem Property Taxation**

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

The valuation of secured property and a statutory tax lien is established as of January 1 and is subsequently equalized in August. The resulting secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent on December 10 and April 10, respectively. Most unsecured bills are mailed before July 31. These bills must be paid on or before August 31. If the bill is mailed after July 31, the delinquent date is extended to the end of the month following the bill's issuance. Taxes on unsecured property are levied at the preceding fiscal year's secured tax rate and become delinquent on September 1.

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

### **Assessed Valuation**

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

Future assessed valuation growth under Article XIII A (allowed for increases in value due to new construction, certain changes of ownership, and an inflation allowance of not more than 2% per year) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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

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

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

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

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

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

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

### Utility Assessment

A portion of property tax revenue of the District is derived from utility property subject to assessment by SBE. State-assessed property, or "unitary property", is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property.

In the wake of electric utility deregulation in the State in the late 1990's, county assessors appraised some electric generation plants. Starting January 1, 2003, SBE is now responsible for appraising all electric generation facilities in the State that generate over 50 megawatts (except cogeneration plants and "qualifying facilities", as defined by the Federal Energy Regulatory Commission.) Initially, 22 electric generation facilities were affected by this change and were added to the utility facilities already assessed by SBE.

SBE appraises all property at market value. In general, the utility facilities that had been assessed by county assessors had been assessed at Proposition 13 values, which closely reflected market values at the time of deregulation. All utility property in the State is taxed a uniform 1% rate plus locally approved tax "add-ons". In the past, tax revenues from county assessed utilities were distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. For SBE-appraised utility property, SBE collects the property tax and sends it to each county in which the facility is located. Utility tax is then allocated by tax rate area and distributed to taxing jurisdictions in the same manner other county assessed secured taxes are allocated.

The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies including the District.

Because the District is not a "basic aid district" (as described herein under **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Allocation of State Funding to Districts"**), any taxes lost due to a reduction in, or transfer to, another jurisdiction of utility property assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Allocation of State Funding to Districts"**, herein.

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

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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**Five-Year Summary of Assessed Valuation**

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<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1999/00	\$12,166,311,974	\$38,694,311	\$605,325,851	\$12,810,332,136
2000/01	12,891,483,315	38,578,988	803,452,252	13,733,514,455
2001/02	14,425,070,001	50,470,907	819,530,920	15,295,071,828
2002/03	15,264,716,553	47,769,561	845,837,829	16,158,323,943
2003/04	16,523,400,415	47,437,220	832,007,819	17,402,845,454

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Source: California Municipal Statistics, Inc.

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### **Tax Levies, Collections and Delinquencies**

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the Treasurer. Collection efforts against a taxpayer who has sought protection from creditors in United States Bankruptcy Court, or against secured property the value of which has been compromised by environmental contamination or natural disaster, may be fruitless to recover unpaid taxes due with respect to such property.

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

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

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1,) the Board of Supervisors receives a petition for its discontinuance from two thirds of the participating revenue districts in the County. The board of supervisors of a county may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in its county in which delinquencies exceed 3% in any tax year.

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

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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**Secured Tax Charges and Delinquencies**

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<u>Fiscal Year</u>	<u>Secured Tax Charge <sup>(1)</sup></u>	<u>Amount Delinquent as of June 30</u>	<u>Percent Delinquent June 30 <sup>(1)</sup></u>
1998/99	\$164,796,928.88	\$4,514,971.68	2.74%
1999/00	168,950,049.54	3,972,878.70	2.35
2000/01	178,796,035.92	4,603,059.80	2.57
2001/02	195,044,021.02	4,881,720.67	2.50
2002/03	212,918,218.87	5,206,917.27	2.45

<sup>(1)</sup> All taxes collected by the County within the District.

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

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Source: California Municipal Statistics, Inc.

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**Tax Rates**

For taxing purposes, the State Board of Equalization has divided the area served by the District into tax rate areas ("TRA"). The largest TRA in the District is TRA 08001. TRA 08001 has a total 2003/04 assessed valuation of \$4,528,858,772, approximately 26.02% of the District's total assessed value. The components of the 2003/04 property tax rate levied in TRA 08001 are set forth below.

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

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	<u>2003/04 Tax Rates</u>
General <sup>(1)</sup>	1.0000%
City of Richmond	.1400
East Bay Regional Park District	.0057
West Contra Costa Unified School District	.1064
Contra Costa Community College District	.0038
Total	1.2559%

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

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Source: California Municipal Statistics, Inc.

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## Major Taxpayers

The 20 largest taxpayers in the District, as shown on the 2003/04 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the District, are shown below. Assessed valuation for the 20 largest taxpayers amounted to \$2,864,340,442 or approximately 17.34% of the District's total 2003/04 secured tax roll.

### WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Major Taxpayers 2003/04

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2003/04 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
Chevron USA, Inc.	Industrial	\$1,914,978,281	11.59%
Berlex Laboratories Inc.	Industrial	140,032,249	0.85
Bio-Rad Laboratories Inc.	Industrial	83,863,555	0.51
Dicon Fiberoptics inc.	Industrial	73,283,067	0.44
Richmond Associates LLC	Shopping Center	64,257,164	0.39
Regency Realty Group Inc.	Shopping Center	62,608,261	0.38
Watch Holdings LLC	Apartments	56,103,268	0.34
Richmond Essex LP	Apartments	46,523,125	0.28
Developers Diversified Realty Corp.	Shopping Center	46,488,305	0.28
Security Capital Pacific Trust	Apartments	44,809,461	0.27
Cherokee Simeon Venture I	Office Building	42,200,000	0.26
William Lyon Homes Inc.	Residential Development	34,679,189	0.21
Mervyn's / Dayton Hudson Corp.	Shopping Center	34,181,677	0.21
Steadfast Hilltop Commons	Apartments	33,971,100	0.21
Point Richmond R&D Associates II LLC	Industrial	32,146,600	0.19
Warmington Hercules Associates.	Residential Development	32,089,263	0.19
Steelscape Inc.	Industrial	30,995,817	0.19
National Gypsum Company	Industrial	30,754,866	0.19
Bridge Housing Acquisition	Apartments	30,303,254	0.18
BP West Coast Products	Industrial	30,071,940	0.18
		<u>\$2,864,340,442</u>	<u>17.34%</u>

<sup>(1)</sup> 2003/04 Total Local Secured Assessed Valuation: \$16,523,400,415.

Source: California Municipal Statistics, Inc.

Chevron USA, Inc., the largest taxpayer in the District, currently represents 11.59% of the total local secured assessed valuation. Below are historical local secured assessed valuations of Chevron USA Inc., as of January 1 of each year.

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

<u>Year</u>	<u>Assessed Valuation</u>
1993/94	\$1,708,027,522
1994/95	1,889,968,323
1995/96	2,014,953,751
1996/97	2,100,073,633
1997/98	1,885,402,056
1998/99	1,791,537,701
1999/00	1,811,178,226
2000/01	1,656,340,376
2001/02	2,215,633,236
2002/03	1,974,950,102
2003/04	1,914,978,281

Source: California Municipal Statistics, Inc.

## GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

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

### State Funding of Education

*General.* The California Constitution requires that from all State revenues there shall first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. As a result, decreases in State revenues can affect appropriations made by the Legislature to school districts. In periods when State funding for public education is reduced or the State experiences budget problems, the District's financial position may be affected, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Bonds.

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

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

*Proposition 98.* On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act". Proposition 98 changed State funding of public education below the university level, primarily by guaranteeing K-14 schools a minimum share of State general fund revenues. Proposition 98 (as modified by Proposition 111, enacted on June 5, 1990) guarantees K-14 schools the greater of: (a) in general, a fixed percentage of State general fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which replaces Test 1 and Test 2 in any year the percentage growth in per capita State general fund revenues from the prior year plus one half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 becomes a "credit" (called the "maintenance factor") to schools and the basis of payments in future years when per capita State general fund revenue growth exceeds per capita personal income growth. Proposition 98 implementing legislation adopted prior to the end of the 1988/89 fiscal year determined the K-14 schools' funding guarantee under Test 1 to be 40.3% of the State general fund tax revenues, based on 1986/87 appropriations. However, this funding guarantee has been adjusted to approximately 35% of 1986/87 appropriations to account for subsequent changes in the allocation of local property taxes, since these changes altered the share of State general fund revenues received by schools. Proposition 98 also contains provisions for the transfer of certain State tax revenues in excess of the Article XIII B limit to K-14 schools in Test 1 years when additional moneys are available.

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

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

### **Allocation of State Funding to Districts**

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

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

A school district's property tax revenues is comprised of the district's share of the local 1% property tax, received pursuant to Sections 75 *et seq.* and Sections 95 *et seq.* of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in "equalization aid". The more local property taxes a district receives, the less State equalization aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its Revenue Limit is entitled to receive no State equalization aid, and receives only its special categorical aid and the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts are known colloquially as "basic aid districts". Districts that receive some equalization aid may be referred to as "revenue limit districts".

The District is not a "basic aid district".

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

### **Other Sources of Education Funding**

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

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

**Other State Revenues.** In addition school districts receives Other State Revenues. These Other State Revenues are primarily restricted revenues that fund items such as special education programs, K-3 class size reduction, staff development and Healthy Start.

Included among Other State Revenues are moneys the school district receives from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes, such as real property acquisition, facility construction, or

the financing of research. State Lottery net revenues (gross revenues less prizes and administration expenses) are allocated by computing an amount per ADA or full time equivalent ("FTE"). This figure is derived by dividing the total net revenues figures by the total ADA for grades K-12 and community colleges, and by the total FTE for the University of California system and the California State University and College system. Each entity receives an amount equal to its total ADA or FTE, as applicable, multiplied by the per ADA or FTE figure. See **"THE DISTRICT — Lottery Income"** for lottery income amounts received by the District.

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

### **District Budget Process and County Review**

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

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

A county superintendent of schools must review and approve or disapprove the budgets for each district under its jurisdiction no later than August 15. The county superintendent of schools is required to examine a district's adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If a budget is disapproved, it is returned to the district with recommendations for revision. The district is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the county superintendent of schools no later than September 1. Pursuant to State law, the county superintendent of schools has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent of schools will monitor each district in its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current and subsequent year financial obligations. If the county superintendent of schools determines that the district cannot meet its current or subsequent year obligations, the county superintendent of schools will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent of schools may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent of schools assumed authority.

A State law adopted in 1991 (known as "AB 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the county superintendent of schools (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent of schools reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that *will meet* its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed *unable to meet* its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district *may not meet* its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that



receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent. The District's latest interim report, as of January 31, 2004, was certified "positive" by the County Superintendent.

### **County Investment Pool**

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

Each county is required to invest funds, including those pooled funds described above, in accordance with California Government Code Section 53601 *et seq.* In addition, each county is required to establish its own investment policies, which may provide further limitations beyond those required by the California Government Code.

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

### **Accounting Practices**

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

The District retains an independent auditor (the "Auditor") and excerpts of its audited financial report for fiscal year ended June 30, 2003, are attached hereto as **APPENDIX B**. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the Auditor in connection with the inclusion of such statements in this Official Statement. The Auditor has made no representation in connection with inclusion of the audit excerpts herein that there has been no material change in the financial condition of the District since the audit was concluded.

## **STATE BUDGET**

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

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

*The discussion below of the fiscal year 2003/04 and 2004/05 budgets are based on estimates and projections of revenues and expenditures for the current fiscal year and future fiscal years and must not be construed as statements of fact. These estimates and projections are based upon various*

*assumptions, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved.*

### **The Budget Process**

According to the California Constitution, the Governor is required to propose a budget to the Legislature no later than January 10 of each year, and a final Budget Act must be adopted by a two-thirds vote of each house of the legislature no later than June 15. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure.

### **Recent Developments Regarding State Economy and Finances**

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

In recent years, the State has experienced a decline in State revenues attributable in large part to declines in personal income tax receipts including, particularly, stock market related income tax revenues, such as capital gains realizations and stock option income. The State estimates that stock market related revenue declined from \$17.6 billion in fiscal year 2000/01 to \$8.6 billion in fiscal year 2001/02, and to \$5.2 billion in 2002/03, a total decline of 70%. Total personal income tax revenue declined from \$44.6 billion to \$32.7 billion in the same period. The State's economy continued to grow slowly through the end of 2003.

*Recall Election.* At a special election held on October 7, 2003, the Governor, Gray Davis, was recalled and replaced by Arnold Schwarzenegger.

*The 2004/05 Governor's Budget.* The 2004/05 Governor's Budget, released on January 9, 2004 by Governor Schwarzenegger, reported that in the absence of structural corrective actions to change existing policies, operating deficits, then estimated at \$14 billion in 2004/05, would continue to be incurred. See "**Fiscal Year 2004/05 Budget**" below.

*March 2004 Election and Economic Recovery Bond Sale.* Two measures intended to address the existing cumulative budget deficit and to implement structural reform were both approved at the March 2, 2004, statewide primary election. The Balanced Budget Amendment (Proposition 58), requires the State to adopt and maintain a balanced budget and establish an additional reserve, and restricts future long-term deficit-related borrowing. The second measure, The California Economic Recovery Bond Act (Proposition 57) authorizes the issuance of up to \$15 billion of economic recovery bonds (the "Economic Recovery Bonds") to finance the negative State general fund reserve balance as of June 30, 2004, and other State general fund obligations undertaken prior to June 30, 2004. Three series of Economic Recovery Bonds have been issued, which provided approximately \$11.254 billion of net proceeds to the State general fund. The Economic Recovery Bonds are issued in lieu of "fiscal recovery bonds" previously authorized by the California Fiscal Recovery Financing Act (Government Code Section 99000 *et seq.*).

In connection with the issuance of the Economic Recovery Bonds, the Department of Finance certified that the State had accumulated an inherited debt of more than \$22 billion, consisting of a \$9.3 billion accumulated deficit through 2002/03, a \$3.0 billion operating deficit in 2003/04, and \$9.8 billion of debt to be repaid in fiscal years 2004/05 and thereafter for prior obligations. The Economic Recovery Bonds are secured by a pledge of revenues from an increase in the State's share of the sales and use tax of one-quarter cent beginning July 1, 2004. The share of the tax going to local governments will be reduced by the same amount and, in exchange, local governments will receive an increased share of the local property tax (and K-14 districts a reduced share) during the time the one-quarter cent is being used to pay off the bonds (estimated to be between 9 and 14 years.) This shift in revenues between the state and local governments is known as the "triple flip". To hold school districts harmless, the Governor's proposal would backfill this transfer from the State General Fund. See "**Fiscal Year 2003/04 Budget**" and "**Fiscal Year 2004/05 Budget**" below.

## **Prior Fiscal Years' Budgets**

**2001 Budget Act.** The 2001 Budget Act (for fiscal year 2001/02) was signed by Governor Davis on July 26, 2001. The spending plan included spending reductions of \$1.3 billion from the prior year and utilized more than half of the budget surplus. The final estimate of fiscal year 2001/02 revenues and expenditures showed an unprecedented drop in revenues compared to the prior year. The final estimate for the three largest tax sources was \$59.7 billion, a drop of over \$13 billion from 2000/01, the vast bulk of which was attributable to reduced personal income taxes from stock option and capital gains activity.

**2002 Budget Act.** The 2002 Budget Act (for fiscal year 2002/03) was signed by Governor Davis on September 5, 2002. The 2002 Budget Act addressed the \$23.6 billion gap between expenditures and resources through a combination of program reductions, interfund borrowings, fund shifts, payment deferrals, accelerations and transfers, debt service restructuring savings and modest tax changes. Within a few months after the 2002 Budget Act was adopted, it became evident that revenue projections incorporated in the 2002 Budget Act were substantially overstated and that certain program cost savings included in the 2002 Budget Act would not be realized.

In late November 2002, Governor Davis directed State agencies to take immediate action to reduce any non-critical or non-essential activities. In the spring of 2003, the Legislature passed budget adjustment legislation, totaling about \$10.4 billion in spending reductions, deferrals and funding. The largest part of the reductions was for K-12 education funding.

## **Fiscal Year 2003/04 Budget**

**2003 Budget Act.** After months of negotiation between Governor Davis and the Legislature, the 2003 Budget Act (for fiscal year 2003/04) was adopted by the Legislature on July 29, 2003, along with a number of implementing measures, and signed by Governor Davis on August 2, 2003. The 2003 Budget Act largely reflected the proposals contained in the May Revision to the 2003/04 Governor's Budget, including, most significantly, the issuance of "fiscal recovery bonds" to address the budget deficit accumulated through June 30, 2003, which was estimated to be \$10.675 billion at that time. See "Recent Developments Regarding State Economy and Finances" above.

## **Fiscal Year 2004/05 Budget**

**The Governor's Budget.** On January 9, 2004, Governor Schwarzenegger released the 2004/05 Governor's Budget. The Governor proposed a budget that dealt with a roughly \$17 billion estimated shortfall. About \$5 billion of the January solution was related to the use of bond proceeds authorized by Proposition 57, anticipated to be approved by the voters at the March 2004 election. After voter approval of Proposition 57 and Proposition 58 in March 2004, the state was thus left with a \$12 billion shortfall, which the 2004/05 Governor's Budget proposed to close through a variety of spending reductions, funding shifts, additional borrowing, and a diversion of local property taxes for the benefit of the state. See "Recent Developments Regarding State Economy and Finances" above.

**The 2004/05 May Revision.** The 2004/05 Governor's Budget May Revision (the "May Revision") was released on May 13, 2004. The May Revision proposes about \$17 billion in solutions to cover the fiscal shortfall that remains after taking into account both new resources and the offsetting cost increases related to higher caseloads, court decisions, and erosion of savings related to the proposed mid-year spending reductions. Key features of the May Revision include:

1. About \$5.4 billion of the solutions are related to program reductions and savings. These include the suspension of Proposition 98, reductions in higher education, elimination of social services cost-of-living adjustments, and savings related to employee compensation and contracting.
2. About \$2.7 billion of the solution is related to the use of \$11.3 billion of voter approved Economic Recovery Bonds. Another \$1.3 billion is related to lower annual debt service related payments on the Economic Recovery Bonds in 2004/05 compared to the "fiscal recovery bonds" previously authorized.
3. Other loans and borrowing account for \$3.8 billion in savings. These include the proposed pension obligation bond, the Proposition 98 settlement loans from education, and increase in the vehicle license fee "gap" loan from local governments, and the Proposition 42 loan from transportation.

4. The remainder is related to various fund shifts, transfers, and revenues. This category includes student fee increases along with assumed increase in federal funds.

Specifically, the May Revision retains the January proposal to suspend Proposition 98 and provide \$2 billion less than the guarantee. The May Revision also modestly increases K-12 funding from the January proposal for various purposes. Overall, about \$5 billion of the May Revision solutions are strictly one time in nature. These include the use of \$2 billion in Economic Recovery Bond proceeds; \$1 billion in pension obligation bond proceeds; \$1.2 billion related to the loan of Proposition 42 funds from transportation special funds; and a variety of one-time savings from the Medi-Cal program, special fund loans, and other funding shifts. The Legislative Analyst Office comments that the State's near-term fiscal picture brightened significantly in the May Revision, although an imposing structural budget problem still exists that will require further major action in the future.

Governor Arnold Schwarzenegger and legislative leaders in California ended a nearly month long budget impasse late on July 26, 2004. The proposed budget is subject to approval by both houses of the Legislature.

According to a report on the 2004-05 Budget Bill released on July 28, 2004 by the State of California Legislative Analyst's Office, the major provisions of the 2004-05 Budget Bill relating to K-12 funding include the following:

- Assumed spending of \$42.1 billion for K-12 Proposition 98 funding in 2004-05. The budget package includes trailer bill language suspending the Proposition 98 minimum guarantee for 2004-05. The spending is less than the minimum guarantee by \$2.1 billion. On a per pupil basis, funding increases \$120 per pupil, from \$6,887 per pupil in 2003-04 to \$7,007 in 2004-05. In addition, the budget provides \$560 million in one-time funds to meet prior years Proposition 98 obligations.
- The 2004-05 Budget Bill provides both statutory and discretionary growth and COLA to revenue limits (\$886 million) and most categorical programs (\$366 million). In addition, the 2004-05 Budget Bill provides \$136 million for increased unemployment insurance costs.
- Provides \$270 million in additional revenue limit funding to partially restore the \$350 million general purpose reduction school districts experienced in 2003-04.
- Provides additional funding for revenue limit equalization (\$110 million). The budget augments instructional materials by \$188 million and deferred maintenance by \$173 million. Related to the Williams case settlement, provides (1) \$138 million in one-time funds for instructional materials for Academic Performance Index decile 1 and 2 schools and (2) sets aside \$50 million pending settlement legislation.
- Provides \$270 million for deficit factor reduction and \$60 million for prior-year mandate costs, but adds an estimated \$320 million to the obligation as a result of the deferral of 2004-05 mandated costs.

## THE DISTRICT

The information in this section concerning the operations of the District and the District's operating finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal or accreted value of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SCHOOL DISTRICT PROPERTY TAXATION" and "THE BONDS — Security and Sources of Payment". Investors' attention is directed to the information in this section concerning District Debt Structure and Statement of Direct and Overlapping Debt which contain information about certain bond obligations payable from ad valorem taxes.

### General Information

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

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

### Average Daily Attendance and Revenue Limit

The District computes ADA based on actual attendance only, with no allowances for excused absences. The following table sets forth the ADA based on the Second Period Report of Attendance for the past four years and an estimate for 2004/05:

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#### WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Average Daily Attendance

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<u>Academic Year</u>	<u>Average Daily Attendance</u>
2000/01	31,771
2001/02	32,398
2002/03	32,398
2003/04	32,343
2004/05 projected	31,420

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

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Source: The District.

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The District's annual revenue limit per ADA was \$4,836.20 for 2003/04 and is projected to be \$4,966.13 for 2004/05. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Allocation of State Funding to Districts" herein.

### Appropriations Limit

The District had a 2003/04 appropriations limit of \$178,167,220 and had appropriations subject to the limit of \$168,670,534. The District projects a 2004/05 appropriations limit of \$177,270,104 and appropriations subject to the limit of \$175,183,288. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Expenditures and Appropriations" herein.

### Lottery Income

The District's State Lottery revenue is estimated to be \$4,267,362 for 2003/04 and is projected to be \$4,109,062 for 2004/05. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Other Sources of Education Funding" herein.

### Labor Relations

The District employs 1,987.34 full-time equivalent ("FTE") certificated and 900.10 FTE classified employees including management and confidential employees. The following table summarizes the labor organizations in the District.

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#### WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Labor Organizations

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<u>Labor Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration <sup>(1)</sup></u>
United Teachers of Richmond	1,935 full-and part-time	June 30, 2005
Public Employees Union, Local 1	957 full-and part-time	June 30, 2005
School Supervisors Association	93 full-and part-time	June 30, 2005
Administrators Association	107 full-and part-time	June 30, 2005

<sup>(1)</sup> All contracts are subject to annual reopeners.

Source: The District.

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### Retirement Programs

The District participates in the State Teachers Retirement System ("STRS"). This plan covers all full-time certificated employees. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. The District's actual contribution to STRS for fiscal year 2003/04 is estimated to be \$9,950,732 and in fiscal year 2004/05 is expected to be \$8,937,102.

The District also participates in the State Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of creditable service in PERS. The District's contribution to PERS for fiscal year 2003/04 is expected to be \$3,783,640 and is projected to be \$3,075,731 for 2004/05.

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

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

### Assessment District

On August 3, 1994, the District completed formation of a Maintenance and Recreation Assessment District ("MRAD") pursuant to the Landscape and Lighting Act of 1972. Annual assessments are \$72 per living unit (a single-family residence is a "living unit"; for multi-family housing the number of living units are assigned on a sliding scale according to the number of apartments in the complex.) There are approximately 70,000 defined living units within the MRAD. The District has received approximately

\$5 million annually in assessment revenue since 1994/95. On November 5, 1996, the MRAD received over two-thirds majority approval at the general election. See **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS — Limitations on Revenues."** The use of MRAD revenue is restricted to expenditures for recreation, lighting, and landscape operations and maintenance; it does not count towards the District's revenue limit and effectively relieves the District from funding these expenditures from general fund revenue. MRAD assessments must be levied annually by the District Board acting in its capacity as the MRAD governing board.

## Comparative Financial Statements

The following table summarizes the District's General Fund revenue, expenditures and fund balances for the fiscal years 2000/01 through 2002/03, estimated actual revenue, expenditures and fund balance for 2003/04 and budgeted revenue, expenditures and fund balance for the fiscal year 2004/05.

<b>WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT</b> <b>General Fund</b> <b>Revenues, Expenditures and Fund Balances</b> <b>2000/01 through 2004/05</b> <b>(In Thousands)</b>					
	2000/01 Actual <sup>(1)</sup>	2001/02 Actual <sup>(1)</sup>	2002/03 Actual <sup>(1)</sup>	2003/04 Estimated Actual <sup>(2)</sup>	2004/05 Adopted Budget <sup>(3)</sup>
<b>REVENUE</b>					
Revenue Limit Sources	\$145,105	\$154,348	\$158,488	\$156,771	\$158,324
Federal Revenue	17,378	20,064	22,445	34,196	22,668
Other State Revenue	66,188	71,601	63,570	57,255	52,260
Other Local Revenue	7,100	9,521	8,951	7,807	15,072
<b>TOTAL REVENUE <sup>(4)</sup></b>	<b>\$235,771</b>	<b>\$255,535</b>	<b>\$253,453</b>	<b>\$256,029</b>	<b>\$248,324</b>
<b>EXPENDITURES</b>					
Certificated Salaries	\$111,534	\$115,804	\$119,354	\$119,105	\$107,109
Classified Salaries	33,383	39,100	39,673	39,117	34,198
Employee Benefits	34,282	40,429	45,982	53,904	56,906
State on-behalf Payments	--	4,833	--	--	--
Books and Supplies	10,573	17,978	12,703	15,170	19,081
Services/Other Operating Exp.	29,771	32,313	33,778	38,346	27,197
Capital Outlay	3,471	1,172	888	1,213	661
Other Outgo	2,842	252	1,013	1,310	1,480
Direct Support/Indirect Costs	(623)	(473)	(730)	(768)	(872)
Debt Service	2,126	112	--	--	--
<b>TOTAL EXPENDITURES <sup>(3)</sup></b>	<b>\$227,358</b>	<b>\$251,519</b>	<b>\$252,662</b>	<b>\$267,399</b>	<b>\$245,761</b>
<b>EXCESS OF REVENUE OVER/ (UNDER) EXPENDITURES <sup>(5)</sup></b>	<b>\$ 8,413</b>	<b>\$ 4,016</b>	<b>\$ 791</b>	<b>(\$ 11,370)</b>	<b>\$ 2,562</b>
<b>OTHER FINANCING SOURCES/ (USES)</b>					
Transfers In/ Other Sources	\$ --	\$ 23	\$ 180	\$ --	\$ 174
Transfers Out/ Other uses	(4,663)	(2,684)	(2,559)	(1,000)	(2,736)
<b>TOTAL <sup>(4)</sup></b>	<b>\$ (4,663)</b>	<b>\$ (2,661)</b>	<b>\$ (2,379)</b>	<b>\$ (15,232)</b>	<b>\$ (2,562)</b>
Adjustments to prior year <sup>(4)</sup>				(442)	
<b>BEGINNING FUND BALANCE, JULY 1</b>	<b>\$ 21,085</b>	<b>\$ 26,045<sup>(5)</sup></b>	<b>\$ 27,400</b>	<b>\$ 25,811</b>	<b>\$ 12,284</b>
<b>ENDING FUND BALANCE, JUNE 30 <sup>(5)</sup></b>	<b>\$ 24,836<sup>(5)</sup></b>	<b>\$ 27,400</b>	<b>\$ 25,811</b>	<b>\$ 12,284</b>	<b>\$ 12,285</b>

<sup>(1)</sup> Excerpted from the District's respective Audited Financial Reports.

<sup>(2)</sup> Estimated, based on the District's Estimated Actual and Adopted Budget as of June 16, 2004.

<sup>(3)</sup> Items may not add to totals due to independent rounding.

<sup>(4)</sup> Charter school adjustment to 2002/03 ending balance, which was previously included in the General Fund.

<sup>(5)</sup> The beginning fund balance in 2001/02 includes MRAD revenue and corresponding expenditures, which were excluded in 2000/01. See "Assessment District" in this section.



## District Debt Structure

**Emergency Apportionment Loans** — In July 1990, the District obtained an emergency apportionment loan from the State of California in the amount of \$9,525,000. In May of 1991, the District received an additional loan from the State of California for \$19,000,000. On June 30, 1993, the State agreed to restructure the payment of these loans by consolidating them into a single loan with a 15-year repayment period (the "State Loan"). Subsequent legislation, AB 437 signed by the Governor on October 13, 1997, amortizes over 20 years the \$21,919,651 State Loan remaining after the February 1998 payment. Loan payments are made on February 1 of each year from any available funds of the District. A schedule of State Loan payments remaining is shown below. See "PRIOR FINANCIAL HISTORY OF THE DISTRICT — Loans from the State of California", " — AB 535" and " — AB 437" herein.

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### WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT Payment of State Loan

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<u>Year Ending June 30</u>	<u>Amount Due</u>
2005	\$ 1,863,550
2006	1,863,550
2007	1,863,550
2008	1,863,550
2009	1,863,550
Thereafter	<u>16,771,965</u>
Total	<u>\$26,089,715</u>

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**General Obligation Bonds** — On June 2, 1998, the District received authorization to issue \$40 million in general obligation bonds (the "1998 Authorization"). All of the bonds under the 1998 Authorization have been issued.

The District received a letter dated March 11, 2004, from the Internal Revenue Service (the "IRS") advising that the \$10,000,000 of bonds issued under the 1998 Authorization in August 1998 (the "1998 Series A Bonds") have been selected for examination as part of an IRS initiative involving "yield burning." That letter requested that certain items be delivered to the IRS with respect to the 1998 Series A Bonds and the District has complied with the request.

The IRS has not asserted that the interest on the 1998 Series A Bonds is subject to inclusion in the gross income of the owners thereof and the District does not believe there is a basis for any such assertion. However, no assurance can be given that the IRS will not make a demand or claim relating to the tax-exempt status of the 1998 Series A Bonds. Regardless of the outcome of the IRS examination of the 1998 Series A Bonds, the Bonds should not be affected thereby.

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

On March 5, 2002, the District received authorization to issue \$300 million in general obligation bonds (the "2002 Authorization"). The District has issued \$30 million aggregate principal amount of general obligation bonds dated June 1, 2002, and \$100 million aggregate principal amount of general obligation bonds dated August 1, 2003, under the 2002 Authorization. Following issuance of the Bonds, the District will have \$100 million aggregate principal amount remaining of authorized and unissued bonds under the 2002 Authorization.

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

Following is a schedule of principal payments remaining as of June 30, 2004, on the District's general obligation bonds:

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**General Obligation Bonds**

	<u>Issue Date</u>	<u>Final Maturity (August 1)</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Principal Outstanding</u>
<b>1998 Authorization (\$40 million)</b>					
2001 Refunding Bonds, Series A <sup>(1)</sup>	Nov. 6, 2001	2025	4.15-5.75%	\$ 28,610,000	\$ 26,025,000
2001 Refunding Bonds, Series B <sup>(1)</sup>	Nov. 16, 2001	2024	4.30-6.00%	10,255,000	9,390,000
<b>2000 Authorization (\$150 million)</b>					
Series 2000-A Bonds	May 15, 2001	2031	5.00-8.00%	15,000,000	14,740,000
Series 2000-B Bonds	Feb. 26, 2002	2031	4.00-6.00%	40,000,000	40,000,000
Series 2000-C Bonds	Apr. 22, 2003	2032	2.50-5.25%	95,000,000	95,000,000
<b>2002 Authorization (\$300 million)</b>					
Series 2002-A Bonds	Jun. 26, 2002	2031	4.25-7.00%	30,000,000	30,000,000
Series 2002 B Bonds	Aug. 25, 2003	2032	4.10-5.00%	<u>100,000,000</u>	<u>100,000,000</u>
<b>Total</b>				<b>\$318,865,000</b>	<b>\$315,155,000</b>

<sup>(1)</sup> The 2001 Refunding Bonds, Series A and B, were issued to refund four series of bonds in the initial aggregate principal amount of \$40,000,000 issued under the 1998 Authorization. Refunding bonds are not included for purposes of calculating the principal amount issued under an authorization.

Source: The District

*Certificates of Participation* — On May 15, 1988, the Richmond Unified School District Financing Corporation (the "Corporation") issued \$9,800,000 aggregate principal amount certificates of participation (the "1988 Certificates") in order to provide additional working capital for the District's continuing operations. The 1988 Certificates were to be repaid solely from the semi-annual lease payments made to the Corporation under the terms of the lease-purchase agreement between the Corporation and the District.

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**1994 Certificates of Participation**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 120,000	\$ 341,543.75	\$ 461,543.75
2006	245,000	670,712.50	915,712.50
2007	265,000	653,525.01	918,525.01
2008	285,000	634,962.50	919,962.50
2009	305,000	615,025.01	920,025.01
Thereafter	<u>8,410,000</u>	<u>5,420,879.20</u>	<u>13,830,879.20</u>
<b>Total</b>	<b><u>\$9,630,000</u></b>	<b><u>\$8,336,647.97</u></b>	<b><u>\$17,966,647.97</u></b>

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

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

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<u>Year Ending June 30</u>	<u>Annual Payments</u>
2005	\$ 300,000
2006	300,000
2007	300,000
2008	300,000
2009	300,000
2010-2014	1,500,000
2015-2019	1,500,000
2020-2022	<u>852,000</u>
Total	<u>\$5,352,000</u>

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*Computer Equipment Acquisition Loans* — During the fiscal year 1989/90, the District financed the acquisition of an administrative and instructional computer system with a loan from IBM. The acquired assets secure the loan. Subsequent to June 30, 1993, the District restructured the obligation allowing for one payment during fiscal year 1993/94 and the remaining payments of \$5,000,000 comprised of \$2,459,111 of principal and \$2,540,889 of interest payable in fiscal years 2007/08 through 2010/11. The Pooled Money Investment Rate at June 30, 1993, of 4.402%, was used to impute the interest costs implicit in the repayment amounts, which will be paid from any available funds of the District. At June 30, 2004, the imputed interest payable is \$1,490,689. Therefore, the carrying balance of the loan at June 30, 2004, is \$3,509,311.

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

*Child Care Facilities* — On February 7, 2001, the District received a no-interest loan of \$573,048 from the California Department of Education in fiscal year 2000/01 for the development and acquisition of childcare facilities. The loan balance is to be repaid from any available funds of the District. The repayment schedule is as follows:

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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**Childcare Facilities Loan Repayment Schedule**

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<u>Year Ending June 30</u>	<u>Amount Due</u>
2003	\$ 54,005
2004	54,005
2005	54,005
2006	54,005
2007	54,005
<u>2008-2012</u>	<u>270,023</u>
Total	<u>\$540,048</u>

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*Charter School Loan* — On May 7, 2001, a loan with an interest rate of 5.37% was made from the California Department of Education to the Alternative Education Learning Center charter school. This charter school is sponsored by the District. The charter school received the loan amount of \$250,000 and made the payment of \$63,425 (\$50,000 principal and \$13,425 interest) during the fiscal year 2001/02, leaving a balance of \$200,000. Payments are automatically deducted by the State Controller's Office from the charter school's State School Fund apportionments. The repayment schedule is as follows:

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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**Charter School Loan Repayment Schedule**

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<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$50,000	\$10,740	\$60,740
2004	50,000	8,055	58,055
2005	50,000	5,370	55,370
2006	<u>50,000</u>	<u>5,685</u>	<u>55,685</u>
Total	<u>\$200,000</u>	<u>\$29,850</u>	<u>\$229,850</u>

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**Statement of Direct and Overlapping Debt**

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds and outstanding certificates of participation. The following represents the total assessed valuation and the direct and overlapping bonded debt of the District as of August 1, 2004, according to California Municipal Statistics, Inc. The District makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc., Oakland, California.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

2003/04 Assessed Valuation: \$17,402,845,454 (before deduction of redevelopment incremental valuation of \$3,433,980,785)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
	<u>% Applicable</u>	<u>Debt 8/1/04</u>
East Bay Municipal Utility District	12.610%	\$ 496,834
East Bay Municipal Utility District, Special District No. 1	6.076	2,449,843
West Contra Costa Community College District	14.646	6,825,036
<b>West Contra Costa Unified School District</b>	<b>100.</b>	<b>311,635,000 <sup>(1)</sup></b>
East Bay Regional Park District	6.590	10,094,562
City of El Cerrito Parcel Tax Obligations	100.	4,440,000
Richmond Redevelopment Community Facilities District No. 1998-1	100.	4,255,000
City and County 1915 Act Bonds	100.	48,380,000
<b>TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$388,576,275</b>
Less: East Bay Municipal Utility District (100% self-supporting)		496,834
<b>TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$388,079,441</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Contra Costa County General Fund Obligations	14.632%	\$ 48,023,687
Contra Costa County Pension Obligations	14.632	83,288,270
Contra Costa County Board of Education Certificates of Participation	14.632	301,419
Contra Costa County Mosquito Abatement District Certificates of Participation	14.632	81,939
Alameda-Contra Costa Transit District Certificates of Participation	10.604	2,198,739
Contra Costa Community College District Certificates of Participation	14.646	191,863
<b>West Contra Costa Unified School District Certificates of Participation</b>	<b>100.</b>	<b>9,630,000</b>
City of Hercules Certificates of Participation	89.512	14,456,188
City of Richmond General Fund Obligations	100.	47,187,002
City of Richmond Pension Obligations	100.	26,225,000
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$231,584,107</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$620,160,382 <sup>(2)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$619,663,548</b>

<sup>(1)</sup> Excludes general obligation bonds to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios of General Obligation Debt to 2002/03 Assessed Valuation:

Direct Debt (\$311,635,000)	1.79%
Total Gross Overlapping Tax and Assessment Debt	2.23%
Total Net Overlapping Tax and Assessment Debt	2.23%

Ratios of Combined Debt to Adjusted Assessed Valuation:

Combined Direct Debt (\$321,265,000)	2.30%
Gross Combined Total Debt	4.44%
Net Combined Total Debt	4.44%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

Source: California Municipal Statistics, Inc.

The direct debt of the District after issuance of the Bonds will be approximately \$381,635,000 or 2.19% of the approximately \$17.4 billion 2003/04 assessed valuation of taxable property within the District. The District's statutory general obligation bonding capacity is 2.5% of the assessed valuation of taxable property within the District, or approximately \$435 million for fiscal year 2003/04. The District will have \$100 million in authorized and unissued general obligation bonds following the issuance of the Bonds. The District has applied to and received from the State Board of Education a waiver of its statutory debt limit up to 3.0% of assessed value to issue bonds under the 2002 Authorization.

## COUNTY INVESTMENT POLICIES AND PRACTICES

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

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

The Treasurer has authority to implement and oversee the investment of such funds in the County Pool in accordance with State Government Code Section 53601 *et seq.* The Treasurer accepts funds only from agencies located within the County. As of March 31, 2004, the cost value of the County Pool was \$1,860,924,489.46 and the market value was \$1,863,669,644.59.

As of March 31, 2004, the County Pool had 59.77% of its assets managed by the Treasurer's office, 36.76% of its assets managed by outside contractors, and 3.47% in cash. Of those assets managed by the Treasurer's office 11.96% of the pool's assets are invested in U.S. Treasury and U.S. Agency Securities; and 47.81% in other money market instruments including repurchase agreements, commercial paper, bankers acceptances, medium term notes and time deposits. Of those assets managed by outside contractors 29.17% of its assets are invested with the Local Agency Investment Fund, which is managed by the State Treasurer's Office, and 7.59% are either in guaranteed investment contracts or managed by investment managers outside of the Treasurer's office. The following table summarizes the composition of the County Pool as of March 31, 2004.

### CONTRA COSTA COUNTY TREASURY INVESTMENT POOL PORTFOLIO COMPOSITION (As of March 31, 2004)

<u>Type of Investment</u>	<u>Cost Value</u>	<u>Market Value</u>	<u>Percent of Total (Cost Value)</u>
Investments Managed by Treasurer's Office			
United States Treasury Securities	\$ 16,000,749.94	\$ 17,464,977.54	0.86%
United States Agencies Securities	206,673,457.89	206,503,962.41	11.10%
Money Market Instruments	<u>889,847,411.26</u>	<u>890,236,062.14</u>	<u>47.81%</u>
TOTAL	\$ 1,112,521,619.09	\$ 1,114,205,002.09	59.77%
Investments Managed by Outside Contractors			
Local Agency Investment Fund	\$ 542,907,355.04	\$ 543,317,047.05	29.17%
Other Investment Managers	<u>141,170,713.32</u>	<u>141,822,793.44</u>	<u>7.59%</u>
TOTAL	\$ 684,078,068.36	\$ 685,139,840.49	36.76%
Cash	\$ 64,324,802.01	\$ 64,324,802.01	3.47%
TOTAL	<u>\$1,860,924,489.46</u>	<u>\$1,863,669,644.59</u>	<u>100.00%</u>

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

As of March 31, 2004, the County Pool had a weighted average maturity of 66.8 days with 94.67% of the portfolio maturing in less than one year, 2.41% in securities maturing in one to two years, 2.05% in securities maturing in two to three years, and 0.87% in securities maturing in more than three years. The following table summarizes the portfolio liquidity of the County Pool as of March 31, 2004.

**CONTRA COSTA COUNTY TREASURY INVESTMENT POOL  
PORTFOLIO LIQUIDITY  
(As of March 31, 2004)**

<u>Term to Maturity</u>	<u>Cost Value</u>	<u>Percent of Total (Cost Value)</u>
Less than 1 year	\$1,761,842,963	94.67%
1 years to 2 years	44,918,320	2.41%
2 years to 3 years	38,114,184	2.05%
3 years to 4 years	10,184,284	0.55%
4 years to 5 years	5,352,956	0.29%
Greater than 5 years <sup>(1)</sup>	511,782	0.03%
Total	<u>\$1,860,924,489</u>	<u>100.0%</u>

<sup>(1)</sup> Represents bond proceeds of school districts in the County.

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

The Treasurer's investment portfolio is in compliance with the State Government Code 53601 et seq. and with the Treasurer's current investment policy. The County Pool investment portfolio has no securities lending, reverse repurchase agreements, or derivatives. As of March 31, 2004, the County is able to meet its cash flow needs for the next six months. It is unknown what impact the budget will have on the Counties ability to meet future cash flow needs.

## PRIOR FINANCIAL HISTORY OF THE DISTRICT

### General

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

### Financial Difficulties

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

### **The 1988 Certificates**

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

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

### **Loans From the State of California**

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

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

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

### **Bankruptcy of the District**

Beginning in March 1988 the Contra Costa County Office of Education expressed concern over what it perceived as the District's potential insolvency and reliance on uncertain revenue sources. Two months after the issuance of the 1988 Certificates, a \$125 parcel tax initiative was defeated by voters. Audits by the State determined in early 1989 that \$7.7 million in Voluntary Pupil Integration Program funds received by the District had been inappropriately spent in fiscal years 1988/89 and 1989/90, and in July 1989 the District added \$8.75 million to its debt by signing a contract with IBM for instructional and business systems. These occurrences, among others, caused the rejection of the District's proposed 1989/90 budget by the State. Under State law, such a rejection mandated the establishment of a three-member State budget review committee to resolve the District's budget issues. In February 1990 the



budget review committee, in a preliminary report, concluded that the District would end 1989/90 with a \$6.4 million deficit which would increase to a \$15 million deficit in 1990/91. The budget committee's efforts resulted in the rejection of the District's budget by the State in April 1990 and the subsequent District request for an emergency \$14 million loan from the State. See **"Loans From the State of California"** above. As to the budget process generally for school districts in California, see **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — District Budget Process and County Review"** herein.

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

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

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

#### **Assembly Bill 535**

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

#### **Assembly Bill 536**

On October 1, 1993, the Governor of the State signed Assembly Bill 536 ("AB 536"). This legislation provided for the refunding of the 1988 Certificates by allowing the District to enter into a lease of its property and use the proceeds of such lease for the purpose of terminating the lease on the 1988 Certificates. AB 536 also established an intercept program with the State (the "AB 536 Intercept") wherein the trustee of the 1994 Refunding Certificates may notify the State Controller that one or more of the lease payments due under the lease related to the 1994 Refunding Certificates (the "Base Rental Payments") have not been paid. Upon such notification by April 1 for Base Rental Payments due July 1 and by October 1 for Base Rental Payments due January 1, the State Controller will pay to the Trustee from the District's next available State apportionment entitlement the defaulted rental payment no later than on its respective due date. The payment by the State Controller may not exceed the amount of any apportionment entitlement of the District to moneys in the State School Fund, less any payments required

in that fiscal year to pay any State loans made to the District (including the State Loan). The State Controller will withhold the amount of any payment made under AB 536, which will include reimbursement of the State Controller's administrative costs as determined under a schedule approved by the California Debt Advisory Commission, from the next available payment that would otherwise be made by the State to the District as a State apportionment from the State School Fund.

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

#### **Assembly Bill 437**

On October 13, 1997, the Governor signed into law Assembly Bill 437, which amortized the State Loan remaining of \$21,919,651 after the February 1998 payment over a 20-year period. The remaining annual payments will be due February 1 of each year through February 1, 2018. This legislation was intended to facilitate the District's class size reduction program implementation. Annual payments are approximately \$1.8 million thereby relieving the District from selling surplus property to make balloon payments on the State Loan every three years as required by AB 535. See **"Assembly Bill 535"** above. Some properties designated as surplus will be used to implement class size reduction while others will be sold to pay the State Loan payments and other District debt.

#### **Management Changes**

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

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

#### **The Five-Year Plan**

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

## ECONOMIC PROFILE

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

### Introduction

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

### Population

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**Population of County and Cities within the District <sup>(1)</sup>**

Year	Contra Costa County	City of El Cerrito	City of Hercules	City of Pinole	City of Richmond	City of San Pablo
1970	555,805	25,190	252	13,266	79,043	21,461
1980	656,380	22,731	5,963	14,253	74,676	19,750
1990	797,600	22,900	16,500	17,000	86,700	24,700
2000	948,816	23,171	19,488	19,039	99,216	30,215
2004	1,003,900	23,400	21,700	19,550	101,700	31,050

<sup>(1)</sup> Excludes population statistics of unincorporated territory within the District.

Source: 1970 – 2000: U.S. Census Bureau; 2004: California Department of Finance, Demographic Research Unit, estimates as of January 1.

## Employment

The following table summarizes historical employment and unemployment in the County. Such information is not seasonally adjusted and is based on the 2003 Benchmark.

<b>CONTRA COSTA COUNTY</b> <b>Civilian Labor Force, Employment and Unemployment</b> <b>Annual Averages</b>					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>May, 2004</u>
Civilian Labor Force <sup>(1)</sup>					
Employment	486,000	491,700	493,000	489,000	491,100
Unemployment	<u>13,600</u>	<u>16,700</u>	<u>26,900</u>	<u>28,700</u>	<u>24,400</u>
Total	499,600	508,400	519,900	517,700	515,400
Unemployment Rate <sup>(2)</sup>	2.7%	3.3%	5.2%	5.5%	4.7%

<sup>(1)</sup> Based on place of residence.  
<sup>(2)</sup> The unemployment rate is calculated using unrounded data.

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

The following table summarizes the unemployment rates in Contra Costa County and the cities within the District as of May 2004.

<b>CIVILIAN LABOR FORCE</b> <b>Unemployment Rates as of May 2004<sup>(1)</sup></b>	
Contra Costa County	4.7%
City of El Cerrito	3.4%
City of Hercules	4.2%
City of Pinole	4.2%
City of Richmond	9.0%
City of San Pablo	9.7%
State of California	6.2%
USA	5.6%

<sup>(1)</sup> Preliminary, based on 2003 benchmark and place of residence; calculated based on unrounded data; not seasonally adjusted.

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

The following table summarizes the historical number of workers by industry in the Oakland Metropolitan Statistical Area ("MSA"), which includes Alameda and Contra Costa Counties.

<b>OAKLAND MSA</b>				
<b>Estimated Number of Wage and Salary Workers by Industry<sup>(1)</sup></b>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>April, 2004</u>
Farm	3,000	3,000	2,700	2,700
Natural Resources and Mining	1,600	1,200	800	1,000
Construction	69,700	66,600	67,200	68,200
Manufacturing	113,200	103,600	97,400	95,900
Wholesale Trade	55,400	53,100	51,100	50,200
Retail Trade	113,300	112,000	110,000	106,100
Transportation & Public Utilities	41,300	39,500	36,900	36,600
Information	37,700	35,200	32,300	30,200
Financial Activities	58,600	62,500	67,900	68,200
Professional and Business Services	159,000	149,600	143,400	143,700
Education and Health	112,500	114,700	117,400	119,300
Leisure and Hospitality	77,900	79,900	80,600	80,100
Other Services	35,800	37,800	37,700	38,200
Government	<u>178,800</u>	<u>184,200</u>	<u>182,100</u>	<u>182,600</u>
Total All Industries	1,057,800	1,042,800	1,027,400	1,023,000

<sup>(1)</sup> March 2003 benchmark using the North American Industry Classification System.

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

Source: California Employment Development Department.

## Largest Employers

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

### EAST BAY: ALAMEDA AND CONTRA COSTA COUNTIES Largest Employers

<u>Employer</u>	<u>Products/Services</u>	<u>Number of Employees</u>
University of California	Public Education	23,662
Kaiser Permanente	Health Care	18,566
Alameda County	Local Government	10,617
SBC Communications Inc.	Telecommunications	10,132
Lawrence Livermore National Laboratory	Government R&D	8,805
United States Postal Service	Mail Services	8,283
Contra Costa County	Local Government	8,267
Safeway Inc.	Grocery Stores	7,680
State of California	State Government	7,600
Oakland Unified School District	Public Education	7,000
ChevronTexaco Corp.	Energy	6,820
Target Corporation	Retail Stores	5,822
New United Motor Manufacturing Inc.	Auto / Light truck maker	5,700
West Contra Costa Unified School District	Public Education	5,319
John Muir / Mt. Diablo Health System	Health Care	4,763
City of Oakland	Local Government	4,248
Lawrence Berkeley National Laboratory	Government R&D	4,100
Alta Bates Summit Medical Center	Health Care	3,848
Wells Fargo & Co.	Financial Services	3,554
PeopleSoft Inc.	Software	3,500

Source: *East Bay Business Times*, December 19, 2003 and the District.

## Commercial Activity

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

### CONTRA COSTA COUNTY Taxable Transactions (Dollars in Thousands)

<u>Year</u>	<u>Outlets<sup>(1)</sup></u>	<u>Taxable Transactions</u>
1998	23,093	\$10,093,690
1999	22,733	11,114,476
2000	22,674	12,330,560
2001	22,609	12,256,721
2002	22,541	12,159,424
January – July, 2003	22,253	5,814,510

<sup>(1)</sup> As of July 1.

Source: California State Board of Equalization.

The following table summarizes historical taxable transactions in the District.

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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**Taxable Transactions for Cities in the District <sup>(1)</sup> – All Outlets**  
**(Dollars in Thousands)**

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<u>City</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>July 1, 2003</u>
El Cerrito	\$ 204,716	\$ 224,899	\$ 238,380	\$ 266,426	\$137,029
Hercules	63,066	72,472	80,482	88,473	36,957
Pinole	239,778	273,840	290,141	282,681	135,349
Richmond	1,026,829	1,162,470	1,116,329	1,065,747	505,419
San Pablo	126,676	141,742	145,193	153,126	76,105

<sup>(1)</sup> Excludes taxable transactions occurring in unincorporated territory within the District.

---

Source: California State Board of Equalization.

---

### Median Household Income

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

---

**CONTRA COSTA COUNTY**  
**Median Household Effective Buying Income**

---

<u>Year</u>	<u>Contra Costa County</u>
1998	\$49,645
1999	53,234
2000	60,189
2001	56,507
2002	54,448

---

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

---

## Building Activity

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

---

### CONTRA COSTA COUNTY Residential Building Permit Valuation (Dollars In Thousands)

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<u>Year</u>	<u>Residential Permits</u>	<u>Residential Valuation</u>
1999	4,413	\$ 852,256
2000	4,763	841,990
2001	4,920	921,370
2002	5,764	1,267,673
2003	6,883	1,451,454

---

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

---

Shown below is the 2003 building activity for cities in the District:

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### WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT 2003 Building Permit Valuation for Cities in the District <sup>(1)</sup> (Dollars in Thousands)

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<u>City</u>	<u>Residential Units</u>	<u>Residential Valuation</u>
El Cerrito	8	\$ 2,321
Hercules	685	193,455
Pinole	21	4,375
Richmond	425	64,033
San Pablo	148	24,672

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<sup>(1)</sup> Excludes building permit valuation for unincorporated territory within the District.

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

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## LEGAL MATTERS

### Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California and Harrison Taylor Law Group, Oakland, California, Co-Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes,) such interest is taken into account in determining certain income and tax earnings.

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



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

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

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

### **Legality for Investment in the State of California**

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

### **No Litigation**

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

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

### **Legal Opinion**

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

## **MISCELLANEOUS**

### **Ratings**

Fitch Ratings and Standard & Poor's Ratings Group have assigned their municipal bond ratings of "AAA" and "AAA," respectively, to the Bonds with the understanding that the Policy insuring payment, when due, of the principal or accreted value of, and interest on, the Bonds will be issued on the date of delivery of the Bonds by Financial Guaranty Insurance Company. Any rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. The address of Fitch Ratings is One State Street Plaza, 31st Floor, New York, New York 10004. The address of Standard & Poor's Rating Group is 55 Water Street, New York, New York 10041.

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

## Underwriting

Pursuant to the terms of a public bid taken on July 28, 2004, Citigroup Global Markets, Inc., as Underwriter, has agreed to purchase the Bonds from the District at the purchase price of \$70,015,375.05 plus accrued interest on the Current Interest Bonds and has certified that it has reoffered the Bonds to the general public at the initial offering prices and yields stated on the inside cover page of this Official Statement. The Underwriter will be obligated to take and pay for all Bonds if any Bond is purchased.

## Financial Advisor

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

## Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine (9) months following the end of the District's fiscal year (currently ending June 30,) commencing with the report for the 2003/04 Fiscal Year (which is due no later than March 31, 2005,) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"), and with the State information repository, if any. The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board, and with the State information repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption **"APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE"**. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

With respect to the District's outstanding general obligation bonds, the District is required to file annual reports not later than nine months following the end of each fiscal year and to file a material events notice when bonds are defeased. Until March 2003, the District annually filed a current official statement and audit with each NRMSIR containing all of the information required to be included in the annual reports, but did not expressly identify such documents as "annual reports". The official statement filed in March 2003 as the annual report did not include audited financial statements for the prior year since the State Controller had not yet completed the audit. Audited financial statements were filed upon completion of the audit by the Controller on July 16, 2003. The District filed an official statement relating to its 2001 Refunding Bonds in November 2001 and distributed to bondholders notices of defeasance of the bonds refunded thereby, but did not expressly identify this as a material event notice with respect to the defeasance. On June 4, 2003, the District instructed the NRMSIRs to file such information as annual reports and notices of defeasance for the appropriate bond issues. The District filed an annual report for all of its outstanding debt obligations subject to continuing disclosure requirements in March 2004 for the fiscal year 2002/03. See **"THE DISTRICT — District Debt Structure"** herein for a summary of the District's outstanding debt obligations.

## Closing Papers

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

- (a) The opinion of Co-Bond Counsel, substantially in the form attached as **APPENDIX A** hereto;
- (b) The Tax Certificate of the District upon which Co-Bond Counsel will rely in delivering their tax opinion;

(c) The Certificate on behalf of the District certifying that there is no litigation pending affecting the validity of the Bonds;

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

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

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

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

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

#### **Additional Information**

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

By: /s/ Dr Gloria L. Johnston  
Superintendent

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**APPENDIX A**  
**FORM OF FINAL OPINION OF CO-BOND COUNSEL**

[Letterhead of Quint & Thimmig LLP and Harrison Taylor Law Group]

[Closing Date]

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

OPINION: \$69,999,376.75 West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series C, consisting of \$40,000,000 Current Interest Bonds and \$29,999,376.75 (Denominational Amount) Capital Appreciation Bonds

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Members of the Board of Education:

We have acted as bond counsel to the West Contra Costa Unified School District (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") of \$69,999,376.75 principal amount of West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series C, consisting of \$40,000,000 Current Interest Bonds and \$29,999,376.75 (Denominational Amount) Capital Appreciation Bonds (the "Bonds"), pursuant to Title 1, Division 1, Part 10, Chapter 2 (commencing with section 15100) of the California Education Code (the "Act"), and a resolution of the Board adopted on July 6, 2004 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable upon the District.

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

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of

1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

## **APPENDIX B**

### **EXCERPTS FROM DISTRICT'S 2002/03 AUDITED FINANCIAL STATEMENTS**

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**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
***Certified Public Accountants and Management, Systems, and Financial Consultants***

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
West Contra Costa Unified School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Contra Costa Unified School District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of West Contra Costa Unified School 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 of America and *Standards and Procedures for Audit of California K-12 Local Educational Agencies* prescribed by the California State Controller's Office. 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.

Because of a lack of internal controls and insufficient records for transactions in the student body funds, the account balances for these accounts have not been audited and are not included in the financial statements in accordance with generally accepted accounting principles. The amount that should be recorded is not determinable.

In our opinion, except for the effects on the financial statements of the omissions of student body funds as described in the preceding paragraph, 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 the West Contra Costa Unified School District as of June 30, 2003, 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.



The management's discussion and analysis on pages 3 through 15 and the budgetary comparison information on page 55 are not a required part of the basic financial statements but are supplementary information, required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2003, on our consideration of the West Contra Costa Unified School District's internal control over financial reporting and our tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of this audit.

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

Torrance, California  
November 21, 2003

*Thompson, Cobb, Pajilio Assoc, PC*



# WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

Gloria L. Johnston, Ph.D.  
Superintendent of Schools

Ruth Vedovelli  
Assistant Superintendent, Fiscal Services

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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### INTRODUCTION

Our discussion and analysis of West Contra Costa Unified School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2003. 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 during the past year. Total net assets increased by 13% over the course of the year.

Overall revenues of \$320 million exceeded expenditures by \$23.7 million.

Revenue Limit funded Average Daily Attendance (ADA) increased by 7 over the prior year.

During the past year the District implemented a literacy based language program that required significant expenditures for textbooks and teacher staff development. These expenditures are showing benefits as the schools of the district have reported significant gains in student achievement based on the State's standardized testing program. Literacy will continue to be an emphasis for the District in coming years.

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

During the fiscal year the District sold \$95 million of Measure M General Obligation Bonds that will be used to support the District's elementary school facility modernization programs.



Due to the sale of the General Obligation Bonds, the District's overall long term debt increased by 55.6%. Long Term Debt other than General Obligation Bonds declined by 3.5%.

The sound financial condition of the district as a whole is reflected in its governmental statements as well. As the District completed the year, its governmental funds reported a combined fund balance of \$132.6 million. These funds will be used to continue the District's facilities and literacy programs into the future.

## **REPORTING THE DISTRICT AS A WHOLE**

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management Discussion and Analysis. The three sections together provide a comprehensive overview of the district. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, district-wide and governmental 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 are reported as fund financial statements and focus on reporting the district's operations in more detail. These fund financial statements comprise the remaining statements.
  - ❖ The governmental fund statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - ❖ Short and long-term financial information about the activities of the district that operate like businesses (such as the self-insurance fund) 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 financial statements provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements including a comparison of the district's budget for the year is included.

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 this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements				
Type of Statement	District-wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special revenue and debt service funds	Activities the district operates similar to private businesses: such as the self-insurance fund	Instances in which the district administers resources on behalf of someone else, such as student activities and retiree benefits funds.
Required financial statements	*Statement of net assets	*Balance sheet	*Statement of net assets	*Statement of fiduciary net assets
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balances	*Statement of revenues, expenses & changes in fund net assets *Statement of cash flows	*Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during 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) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.



## **Government-Wide Financial Statements**

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

In the Statement of Net Assets and the Statement of Activities, we generally categorize information into two activities:

- **Governmental Activities:**

The basic services provided by the district, such as regular and special education, administration, and transportation are included here. Property taxes and state formula aid finance most of these activities.

- **Business Type Activities:**

In certain situations, agencies charge fees to help it cover the costs of certain services it provides. The District does not operate any business type activities.

The government-wide financial statements can be found on pages 16 and 17 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 government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-



tern 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 at the bottom of the governmental fund statements that explains the differences (or relationships) between them.

### **Proprietary funds**

The proprietary fund category includes Enterprise Funds and Internal Service Funds. Funds of this type are used to account for services for which an agency charges a fee and are reported in the same manner as the government wide statements. The District does not operate any Enterprise Funds.

Internal Service funds report activities that provide supplies and services for the other programs and activities of the district. Proprietary funds are reported in the same way as the district-wide statements.

- ❖ The district has one Internal Service Fund, the Self-Insurance Fund which is used to account for the activities of the district related to property and liability insurance. The fund collects premiums from user programs and uses the funds to purchase private insurance, pay administrative expenses, deductibles and claims costs.

### **Fiduciary funds:**

For assets that belong to others, such as the Payroll Clearing Fund and/or Student Activities Funds, the district acts as the trustee, or fiduciary. The district is responsible for ensuring that those to whom the assets belong only use them for their intended purposes. A separate statement of fiduciary net assets and a statement of changes in fiduciary net assets report the district's fiduciary activities. These activities are excluded from the district-wide financial statements, as the district cannot use these funds to finance its operations.



## THE DISTRICT AS A WHOLE

**Net Assets** – The District's combined net assets were higher on June 30, 2003, than they were the year before—increasing by \$23.7 million to \$158.1 million as reflected below.

	GOVERNMENTAL ACTIVITIES	
	2003	2002
Current Assets	\$ 261,735,224	\$ 189,352,134
Capital Assets	232,548,443	193,529,425
<b>Total Assets</b>	<b>\$ 494,283,667</b>	<b>\$ 382,881,559</b>
Current Liabilities	\$ 53,622,232	\$ 58,348,742
Non-current Liabilities	258,888,411	166,424,901
<b>Total Liabilities</b>	<b>312,510,643</b>	<b>224,773,643</b>
Net Assets:		
Invested in Capital Assets, net of related debt	104,722,514	106,963,805
Restricted For:		
Capital Projects	19,235,816	2,841,236
Debt Service	12,086,175	7,925,411
Other Purposes (Expendable)	26,794,922	24,877,421
Other Purposes (Nonexpendable)	940,232	929,030
Unrestricted	17,993,362	14,571,013
<b>Total Net Assets</b>	<b>\$ 181,773,021</b>	<b>\$ 158,107,916</b>

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

- The District issued \$95 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 in the current year that had not been received in prior years.



**Changes in Net Assets** – The District's total revenues exceeded its expenditures by \$26.7 million. Property taxes, State Formula Aid and other general sources accounted for most of the District's revenues contributing approximately 63.9 cents per every dollar of revenue received while Federal, State and local grants and contributions for specific purposes provided 36.1 percent of total revenues.

	<b>GOVERNMENTAL ACTIVITIES</b>	
	<b>2003</b>	<b>2002</b>
<b>Revenues:</b>		
Program revenues:		
Charges for Services	\$ 4,245,128	\$ 3,376,384
Operating Grants and Contributions	107,847,647	93,868,984
Capital Grants and Contributions	3,494,161	-
Total Program Revenues	115,586,936	97,245,368
General Revenues:		
Property Taxes	88,317,507	78,830,203
Federal and State Aid	92,961,536	97,059,957
Interest and Investment Earnings	1,514,746	2,178,544
Transfers	-	226,867
Interagency revenues	21,475,137	-
Miscellaneous	444,468	9,647,629
Total General Revenues	204,713,394	187,943,200
<b>Total Revenues</b>	<b>\$ 320,300,330</b>	<b>\$ 285,188,568</b>
<b>Expenses:</b>		
Instruction	\$ 167,757,205	\$ 172,248,087
Support Services:		
Administrative	40,767,419	36,195,722
Student Support	26,003,602	23,617,060
Non-Student Support	21,708,388	12,946,375
Plant Services	27,501,030	26,877,406
Facility acquisition and construction	28,849	(49,161)
Ancillary Services	2,702,325	2,387,880
Community Service	-	2,031
Interest on long-term debt	9,673,330	6,983,363
Other Outgo	493,077	1,026,298
<b>Total Expenses</b>	<b>296,635,225</b>	<b>282,235,061</b>
<b>Change in Net Assets</b>	<b>\$ 23,665,105</b>	<b>\$ 2,953,507</b>

Total costs for program services amounted to \$296.6 million. The District's expenses are predominately related to providing education programs and services to students. 79.1 percent of the District's total expenditures were for this purpose. Additionally, 3.3 percent of total expenditures were made for interest on long term debt, the vast majority of which was paid from funds provided by the taxpayers through voter approved property tax assessments, not from the General Fund of the District

### 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 \$296.6 million for this fiscal year. The users of District programs as well as federal, state and local governments who provided funds for specific programs provided \$115.6 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 \$88,317,507 of this amount while state education aid formulas contributed the remaining \$92,961,536.

	Total Cost 2003	Net (Expense) Revenue 2003	Total Cost 2002	Net (Expense) Revenue 2002
Instruction	\$ 167,757,205	\$ (103,887,841)	\$ 172,248,087	\$ (127,919,481)
Support Services	88,479,409	(46,814,549)	72,759,157	(54,606,204)
Facilities and Plant	27,529,879	(25,346,247)	26,828,245	4,547,912
Ancillary Services	2,702,325	(660,890)	2,387,880	(1,338,793)
Other	10,166,407	(4,338,762)	8,011,692	(5,673,127)
<b>Total</b>	<b>\$ 296,635,225</b>	<b>\$ (181,048,289)</b>	<b>\$ 282,235,061</b>	<b>\$ (184,989,693)</b>

### The DISTRICT'S FUNDS

The sound financial position of the District as a whole is reflected in its governmental fund statements as well. As the District completed the year, its governmental funds reported a combined fund balance of \$211.2 million, well above last year's combined ending fund balance of \$132.6 million.

This overall increase was provided primarily by the activities in the District's Capital Project Funds as well as the Bond Interest and Redemption Fund.

## **General Fund Budgetary Highlights**

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

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

The final revised budget of the District reflected anticipated revenues of \$257.1 million against appropriated expenditures of \$ 268.2 million thus anticipating a \$11.1 million reduction in overall fund balance, mostly from the restricted portion. The projected decrease in Restricted fund balance was predicated on the assumption that all revenues recognized in the prior year but unspent in that year are carried forward to the current year where they would be spent by the end of the current year.

The State budget crisis required numerous difficult budget reductions in 2002-03 fiscal year. There were unprecedented mid-year State grant and apportionment reductions for mandated costs, instructional materials, library materials and school grants. The District took a pro-active approach to these cuts in order 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 (\$25.8 million) than projected (\$15.6 million) ending fund balance. This favorable variance was in large part the direct result of the district implementing cost saving strategies such as hiring and purchasing freezes.

## **Summary of Revenues for Governmental Functions**

The following schedule represents a summary of the general operating fund, special revenue funds, capital project funds, and debt service fund revenues for the fiscal year ended June 30, 2003, and the increase and decrease (in amount and percentage) in relation to prior year amounts.

	2003	Percent of	Increase (Decrease)	Percent Increase (Decrease) From
	Fiscal Year	Total	From Prior Fiscal Year	Prior Fiscal Year
Revenue Limit Sources	\$ 161,269,592	51%	\$ 3,222,040	2%
Federal	30,196,203	9%	3,483,541	13%
Other State	84,191,828	26%	10,876,020	15%
Other Local	44,086,038	14%	15,321,580	53%
Total Revenues	\$ 319,743,661	100%	\$ 32,903,181	10%

The following schedule represents a summary of the general operating fund, special revenue funds, capital project funds, and debt service fund expenditures for the fiscal year ended June 30, 2003, and the increase and decrease (in amount and percentage) in relations to prior year amounts

#### Summary of Expenditures by Object Code

	2003	Percent of	Increase (Decrease)	Percent Increase (Decrease) From
	Fiscal Year	Total	From Prior Fiscal Year	Prior Fiscal Year
Certificated salaries	\$ 122,448,126	36%	\$ 3,663,594	3%
Classified salaries	44,706,075	13%	1,164,997	3%
Employee benefits	48,015,509	14%	1,124,987	2%
Books and supplies	18,502,803	6%	(4,624,448)	-20%
Services, other operation expenses	46,048,217	14%	4,447,783	11%
Capital Outlay	45,303,271	14%	11,435,901	34%
Debit Service:				
Principal	3,360,109	1%	91,242	3%
Interest	7,455,477	2%	3,432,120	85%
Other outgo	1,013,003	0%	761,273	302%
Total Expenditures	\$ 336,852,590	100%	\$ 21,497,449	7%

#### CAPITAL ASSET AND DEBT ADMINISTRATION

By June 30, 2003, the District had invested \$392.8 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 footnotes 1H and 5. Total depreciation expense for the year exceeded \$10 million while additions to capital assets amounted to approximately \$50.0 million net of fixed asset disposals.

The construction of a new middle school in Richmond was completed during the fiscal year and opened with a sixth grade class in the second semester. Other construction, planning and design activities also took place during the year related to the renovation of the District's elementary and secondary schools. Final plans were completed and approved by the Department of the State Architect for nine elementary campuses that will begin construction during the summer of 2003.

The budget for the 2003-04 fiscal year includes funds for continuation of the planning and design processes for the elementary and secondary schools of the District.

### Capital Assets

	<u>Governmental Activities</u>		
	Balance, July 1, 2002	Additions	Balance, June 30, 2003
Governmental activities:			
Land	\$ 53,221,911	\$ -	\$ 53,221,911
Site Improvements	44,025,269	106,015	44,131,284
Buildings	214,477,999	48,765,687	238,139,058
Machinery and Equipment	8,484,092	1,556,642	9,611,762
Construction In Progress	23,661,060	24,029,554	47,690,614
Totals at historical cost	343,870,331	74,457,898	392,794,629
Less: accumulated depreciation			
Site Improvements	21,983,402	3,326,972	25,310,374
Buildings	123,573,809	6,375,891	129,949,700
Machinery and Equipment	4,783,695	430,478	4,986,112
Total accumulated depreciation	150,340,906	10,133,341	160,246,186
Governmental activities, capital assets, net	\$ 193,529,425	\$ 64,324,557	\$ 232,548,443

### Long Term Debt

In recent years the District has received approval from the voters to issue \$390 million in bonds. Measure E was approved for \$40 million in November 1998 to fund various capital improvement projects and to construct a new middle school. Measure M in the amount of \$150 million was approved in November 2000 to renovate the elementary schools of the District. Finally, Measure D was approved in March 2002 to renovate the secondary schools of the District as well as provide additional funds to supplement Measure M. This measure is in the amount of \$300 million. The District will continue to sell and issue bonds authorized by these measures in amounts necessary to meet the cash flow needs of the construction projects as they progress over the next several years.

At year end the District had \$258.9 million in general obligation bonds and other long-term debt outstanding, an increase of 55.6 percent over the prior year. This increase is due to the fact the \$95

million in Measure M were sold during the year. These bonds, together with the bonds previously sold (\$125 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 debt other than General Obligation Bonds decreased by 3.5 percent to \$42.4 million compared to the prior year.

The activities of the District's long-term debt group of accounts are reflected in the table below as well as the footnotes to the financial statements in note numbers 1K and 8 through 14. The general obligation bonds have been sold with insurance at the highest rating possible, AAA.

<u>Governmental Activities</u>					
	Balance			Balance	Amounts
	July 1, 2002	Additions	Deductions	June 30, 2003	Due Within
					One Year
Emergency Apportionment Loan	\$ 19,237,686	\$ -	\$ 768,541	\$ 18,469,145	\$ 812,286
General Obligation Bonds	122,450,000	95,000,000	995,000	216,455,000	3,900,000
1994 Certificates of Participation	11,325,000	-	1,365,000	9,960,000	215,000
Voluntary Integration Program	5,952,000	-	300,000	5,652,000	300,000
Computer Equipment Acquisition	3,623,744	159,517	-	3,783,261	-
Compensated Absences	3,096,423	566,042	-	3,662,465	685,553
Child Care Facilities Loan	540,048	598,060	231,568	906,540	97,524
Charter School Revolving Loan	200,000	-	200,000	-	-
Governmental Activities					
Long-term liabilities	\$ 166,424,901	\$ 96,323,619	\$ 3,860,109	\$ 258,888,411	\$ 6,010,363

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 Financial Statements

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As has been well publicized, the State of California is experiencing budget difficulties at the present time. As the majority of our revenue comes from the State, we will most certainly see a reduction in revenues in the coming years until the budget revenues for the State recover. 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.

Although additional District budget reductions will be necessary, the District's reserves are at a level where they will help the District get through this period of reduced budgets by providing some funds for one-time and other expenditures that are needed to maintain current operations. 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 2004-05 fiscal year.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Additional details can be requested by mail at the following address:

West Contra Costa Unified School District

1108 Bissell Avenue

Richmond, California 94801

Or visit our website at: <http://www.wccusd.k12.ca.us>

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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash in County Treasury	\$ 129,476,284
Cash on hand and in Banks	14,341
Cash in Revolving Fund	70,000
Cash with Fiscal Agent	1,080,075
Investments	106,031,287
Accounts Receivable	23,059,694
Stores Inventories - Supplies	608,679
Stores Inventories - Food	261,553
Prepaid Expenses	1,133,311
Capital Assets, net of accumulated depreciation	232,548,443
<b>Total Assets</b>	<b>\$ 494,283,667</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 19,489,911
Tax and Revenue Anticipation Notes	25,000,000
Due to Grantor Government	762,170
Deferred Revenue	8,370,151
Noncurrent Liabilities Due Within One Year:	
General Obligation Bonds Payable	3,900,000
Certificates of Participation	215,000
Emergency Apportionment Loan	812,286
Child Care Facilities Loan	97,524
Voluntary Integration Program	300,000
Compensated Absences	685,553
Noncurrent Liabilities Due After One Year:	
General Obligation Bonds Payable	212,555,000
Certificates of Participation	9,745,000
Emergency Apportionment Loan	17,656,859
Child Care Facilities Loan	809,016
Voluntary Integration Program	5,352,000
Compensated Absences	2,976,912
Computer Acquisition Loan	3,783,261
<b>Total Liabilities</b>	<b>312,510,643</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	104,722,514
Restricted For:	
Capital Projects	19,235,816
Debt Service	12,086,175
Educational Programs	15,507,912
Other Purposes (Expendable)	11,287,010
Other Purposes (Nonexpendable)	940,232
Unrestricted	17,993,362
<b>Total Net Assets</b>	<b>\$ 181,773,021</b>



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

FUNCTIONS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NE ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>Governmental activities:</b>					
Instruction	\$ 167,757,205	\$ 263,249	\$ 60,111,954	\$ 3,494,161	\$ (103,887,84
Instruction Related Activities:					
Supervision of Instruction	21,015,386	220,320	17,421,459	-	(3,373,60
Instructional Library, Media and Technology	3,248,094	26,237	552,714	-	(2,669,14
School Administration	16,503,939	11	4,405,819	-	(12,098,10
Pupil Services:					
Home-to-School Transportation	5,848,270	-	2,028,398	-	(3,819,87
Food Services	9,327,134	2,309,281	5,813,497	-	(1,204,35
All other Pupil Services	10,828,198	42,235	5,441,768	-	(5,344,19
General Administration:					
Data Processing	2,246,361	5,055	124,366	-	(2,116,94
All other General Adminsitration	19,462,027	143,114	3,130,586	-	(16,188,32
Plant Services	27,501,030	23,055	2,160,577	-	(25,317,39
Facilities Acquisition and Construction	28,849	-	-	-	(28,84
Ancillary Services	2,702,325	42,103	1,999,332	-	(660,89
Interest on Long-term Debt	9,673,330	-	-	-	(9,673,33
Other Outgo	493,077	1,170,468	4,657,177	-	5,334,56
<b>Total Governmental Activities</b>	<b>\$ 296,635,225</b>	<b>\$ 4,245,128</b>	<b>\$ 107,847,647</b>	<b>\$ 3,494,161</b>	<b>\$ (181,048</b>
<b>General Revenues:</b>					
Taxes and Subventions:					
Taxes levied for General Purposes					\$ 74,298,41
Taxes levied for Debt Service					8,617,42
Taxes levied for other Specific Purposes					5,401,67
Federal and State Aid not Restricted to Specific Purposes					92,961,53
Interest and Investment Earnings					1,514,74
Interagency Revenues					21,475,13
Miscellaneous					444,46
<b>Total General Revenue</b>					<b>204,713,39</b>
<b>Change in net assets</b>					<b>23,665,10</b>
<b>Net Assets - July 1, 2002</b>					<b>158,107,91</b>
<b>Net Assets - June 30, 2003</b>					<b>\$ 181,773,02</b>

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**

	GENERAL	BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash in County Treasury	\$ 14,827,331	\$ 79,769,345	\$ 34,378,373	\$ 128,975,049
Cash on Hand and in Banks	-	-	14,341	14,341
Cash in Revolving Fund	70,000	-	-	70,000
Cash with Fiscal Agent	-	100,196	979,879	1,080,075
Investments	35,224,896	67,508,322	3,295,343	106,028,561
Accounts Receivable	18,608,723	438,220	4,012,388	23,059,331
Stores Inventory	608,679	-	-	608,679
Food Inventory	-	-	261,552	261,552
<b>Total Assets</b>	<b>\$ 69,339,629</b>	<b>\$ 147,816,083</b>	<b>\$ 42,941,876</b>	<b>\$ 260,097,588</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 10,012,158	\$ 3,681,253	\$ 1,027,062	\$ 14,720,473
Deferred Revenues	7,757,699	-	612,452	8,370,151
Tax and Revenue Anticipation Notes	25,000,000	-	-	25,000,000
Due to Grantor Governments	758,178	-	3,992	762,170
<b>Total Liabilities</b>	<b>43,528,035</b>	<b>3,681,253</b>	<b>1,643,506</b>	<b>48,852,794</b>
<b>Fund Balance</b>				
Reserved for Revolving Fund	70,000	-	-	70,000
Reserved for Inventories	608,679	-	261,552	870,231
Reserved for Economic Uncertainties	5,400,000	-	-	5,400,000
MIRAD	955,487	-	-	955,487
Site Donation and Abatement	1,432,786	-	-	1,432,786
Undesignated Fund Balance	17,344,642	144,134,830	41,036,818	202,516,290
<b>Total Fund Balances</b>	<b>25,811,594</b>	<b>144,134,830</b>	<b>41,298,370</b>	<b>211,244,794</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 69,339,629</b>	<b>\$ 147,816,083</b>	<b>\$ 42,941,876</b>	<b>\$ 260,097,588</b>



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**YEAR ENDED JUNE 30, 2003**

Total Fund Balances - Governmental Funds \$ 211,244,794

Amounts reported for governmental activities in the *Statement of Net Assets* are different because:

Capital assets for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$393,794,630 and the accumulated depreciation is \$160,246,186. 232,548,444

Debt issuance costs in governmental funds are recognized as expenditures in the period in which they are incurred. In the government wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs are included in prepaid expense on the *Statement of Net Assets*. 1,133,311

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government wide *Statement of Net Assets* unamortized interest is recognized in the period that it is incurred. The additional liability for unamortized interest owed at June 30, 2003 was (4,267,723)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2003 are shown below:

Certificates of participation	(9,960,000)	
General obligation bonds payable	(216,455,000)	
Compensated absences	(3,662,465)	
Other long-term debt	(28,810,946)	
		(258,888,411)

To charge the costs of certain activities to individual funds, management uses the Self-Insurance Fund. The assets and liabilities of the Self-Insurance Fund is included in the government wide *Statement of Net Assets*. 2,606

Total Net Assets - Governmental Activities \$ 181,773,021

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	GENERAL	BUILDING	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL
<b>REVENUES</b>				
Revenue Limit Sources	\$ 158,487,910	\$ -	\$ 2,781,682	\$ 161,269,592
Federal Sources	22,445,080	888,306	6,862,817	30,196,203
Other State Sources	63,569,545	-	20,622,283	84,191,828
Other Local Sources	8,950,741	3,886,206	31,249,091	44,086,038
<b>Total Revenues</b>	<b>\$ 253,453,276</b>	<b>\$ 4,774,512</b>	<b>\$ 61,515,873</b>	<b>\$ 319,743,661</b>
<b>EXPENDITURES</b>				
Instruction	\$ 154,487,147	\$ -	\$ 4,141,610	\$ 158,628,757
Supervision of Instruction	20,672,740	-	492,132	21,164,872
Instructional Library, Media and Technology	3,234,965	-	5,602	3,240,567
School Administration	15,409,337	-	912,684	16,322,021
Home-to-School Transportation	5,849,685	-	-	5,849,685
Food Services	1,183	-	9,380,334	9,381,517
All other Pupil Services	10,295,876	-	95,487	10,391,363
Data Processing	2,283,018	-	-	2,283,018
All other General Administration	10,005,316	-	8,701,241	18,706,557
Plant Services	26,280,728	-	438,000	26,718,728
Facility Acquisition and Construction	423,894	31,421,062	17,567,809	49,412,765
Ancillary Services	2,702,325	-	-	2,702,325
Other Outgo	493,077	-	-	493,077
Bond Issuance Cost	-	219,493	-	219,493
Debt Service:				
Principal	350,000	-	3,360,109	3,710,109
Interest	169,926	-	7,455,477	7,625,403
Debt Issuance Cost	2,332	-	-	2,332
<b>Total Expenditures</b>	<b>252,661,549</b>	<b>31,640,555</b>	<b>52,550,485</b>	<b>336,852,589</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>791,727</b>	<b>(26,866,043)</b>	<b>8,965,388</b>	<b>(17,108,928)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources	159,517	-	598,060	757,577
Interfund Transfers In	180,000	-	5,855,955	6,035,955
Contributions to Restricted Programs	(15,934,491)	-	-	(15,934,491)
Interfund Transfers Out	(2,719,125)	(1,218,026)	(2,098,804)	(6,035,955)
Contributions from Unrestricted Programs	15,934,491	-	-	15,934,491
Proceeds from Long-Term Debt	-	95,000,000	-	95,000,000
<b>Total Other Financing Sources (Uses)</b>	<b>(2,379,608)</b>	<b>93,781,974</b>	<b>4,355,211</b>	<b>95,757,577</b>
<b>NET CHANGE IN FUND BALANCES AND OTHER FINANCING SOURCES (USES)</b>	<b>(1,587,881)</b>	<b>66,915,931</b>	<b>13,320,599</b>	<b>78,648,649</b>
<b>Fund Balances, July 1, 2002</b>	<b>27,399,475</b>	<b>77,218,899</b>	<b>27,977,771</b>	<b>132,596,145</b>
<b>Fund Balances, June 30, 2003</b>	<b>\$ 25,811,594</b>	<b>\$ 144,134,830</b>	<b>\$ 41,298,370</b>	<b>\$ 211,244,794</b>



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$78,648,649

Amounts reported for governmental activities in the *Statement of Activities*  
are different because:

In governmental funds, the costs of capital assets are recorded as expenditures in the period they are acquired. In the *Statement of Activities*, cost of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures (\$49,345,664) and depreciation expense (\$10,133,341) for year is 39,212,323

In governmental funds, repayments of long-term debt are reported as expenditures. In the government wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were 3,860,109

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government wide statements, they are reported as increases to liabilities. Amount recognized in government fund as proceeds from debt, net of issue premium or discounts were (95,757,577)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government wide statements, issue costs are amortized over the life of the debt. The difference between debt issues costs recognized in the current period and issue cost amortized for the period is

Issuance costs incurred during the period	232,015	
Issuance costs amortized for the period	<u>(38,441)</u>	193,574

In governmental funds, the entire proceeds from disposal of capital assets is reported as revenues. In the *Statement of Activities*, only the the resulting gain or loss is reported. The difference between the proceeds from the disposal of capital assets and the resulting gain or loss (200,911)

In governmental funds, interest on long-term debt 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. Unmatured interest owing at the end of the year, less matured interest paid during the period but owing from the prior period was (1,440,350)

In governmental funds, compensated absences are measured by the amounts paid during the period. In the *Statement of Activities*, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was (566,042)

Internal Service Funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the internal service fund is presumed to operate for the benefit of governmental activities, net revenue of the internal service fund resulting from transactions with external parties are reported with governmental activities in the *Statement of Activities*. net revenues of internal service funds from transactions from external parties were (284,670)

Change in Net Assets of Governmental Activities \$ 23,665,105



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**GOVERNMENTAL**  
**ACTIVITIES**  
**SELF-INSURANCE**  
**FUND**

**ASSETS**

Cash In County Treasury	\$ 501,234
Investments	2,730
Accounts Receivable	363
<b>Total Current Assets</b>	<b>\$ 504,327</b>

**LIABILITIES**

**Current Liabilities:**

Accounts payable	\$ 501,721
<b>Total Liabilities</b>	<b>501,721</b>

**NET ASSETS**

Unrestricted	2,606
<b>Total Net Assets</b>	<b>\$ 2,606</b>



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<b>GOVERNMENTAL</b> <b>ACTIVITIES</b> <b>SELF-INSURANCE</b> <b>FUND</b>
<b>OPERATING REVENUES:</b>	
Self-insurance premiums	\$ 1,030,550
<b>Total operating revenues</b>	<b>\$ 1,030,550</b>
<b>OPERATING EXPENSES:</b>	
Books and Supplies	\$ 26
Services and Other Operating Expenditures	1,328,353
<b>Total operating expenses</b>	<b>1,328,379</b>
Operating income (loss)	<u>(297,829)</u>
<b>NON-OPERATING REVENUES:</b>	
Interest	12,933
Other Local Revenue	<u>225</u>
<b>Total Non-Operating Revenues</b>	<b><u>13,158</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(284,671)</b>
Total Net Assets, July 1, 2002	<u>287,277</u>
Total Net Assets, June 30, 2003	<b><u>\$ 2,606</u></b>





**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>GOVERNMENTAL ACTIVITIES SELF-INSURANCE FUND</u>
<b>Cash Flow: from Operating Activities:</b>	
Cash received from premiums	\$ 1,030,550
Cash paid for contracted services	<u>(966,562)</u>
<b>Net cash provided by operating activities</b>	<u>63,988</u>
<b>Net increase in cash</b>	63,988
<b>Cash flows from non-operating activities</b>	
Cash received from liquidated investments	
<b>Cash, July 1, 2002</b>	<u>437,246</u>
<b>Cash, June 30, 2003</b>	<u><u>\$ 501,234</u></u>
<b>Reconciliation of net change to net cash provided (used) by operating activities</b>	
<b>Change in net assets</b>	<u>\$ (284,671)</u>
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>	
Decrease in investments	1,433,894
Decrease in accounts receivable	9,543
Decrease in accounts payable	345,222
Decrease in open claims	<u>(1,440,000)</u>
<b>Total adjustments</b>	<u>348,659</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 63,988</u></u>



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	<u>AGENCY</u> <u>PAYROLL</u> <u>CLEARING</u> <u>FUND</u>
<b>ASSETS</b>	
Cash in County Treasury	\$ 420,690
Accounts Receivable	136,902
<b>Total Assets</b>	<u><u>\$ 557,592</u></u>
<b>LIABILITIES</b>	
Due to regulatory agencies	\$ 557,592
<b>Total Liabilities</b>	<u><u>\$ 557,592</u></u>



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

**A. Accounting Policies**

The accompanying basic financial statements of the West Contra Costa Unified School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local government entities that have been established by the Governmental Accounting Standards Board (GASB). The West Contra Costa Unified School District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*.

**B. The Reporting Entity**

The District is the level of government primarily responsible for all activities related to public education in the cities of Richmond, El Cerrito, San Pablo, Pinole, and Hercules, California, as well as portions of Contra Costa County. The governing authority, as designated by the State Legislature, consists of five elected officials who together constitute the Board of Trustees. Those organizations, functions and activities for which the Board of Trustees has accountability comprise the District's reporting entity.

On March 15, 1998, certain members of the District's Board of Trustees 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 Districts. The Corporation issued Certificates of Participation (COPs), a form of long-term debt, which the District used to finance continuing operations. The COPs are collateralized by an underlying lease-purchase agreement between the Corporation and the District.

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

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- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2003, 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 governmental-wide financial statements.

The District's basic financial statements include all funds of the District, with the exception of the student body accounts. The District has certain oversight responsibilities for these operations but there is no financial interdependency between their financial activities and District Funds or between individual student body funds. Student body accounts represent separate student body fiscal and accounting entities maintained at various school sites. While generally accepted accounting principles require that these funds be included as agency funds, a lack of internal controls resulted in the amount of these funds to be undeterminable.

**C. Basis of Accounting and Measurement Focus**

**Government-Wide Financial Statements (GWFS)** - The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statements of Net Assets and Activities were 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 are derived directly from the various programs; program revenues reduce the cost of the function to be financed from the District's general revenues.

**Allocation of indirect expenses** - The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt and depreciation are considered indirect expenses and are reported separately on the Statement of Activities.

**Fund Financial Statements (FFS)**

**Governmental Funds** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for un-matured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of fixed assets and the servicing of long-term debt. 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 Governmental funds are organized into major, non-major, proprietary and fiduciary funds as follows:

**Major Funds**

**General Fund** accounts for all financial resources except those required to be accounted for in other funds.

**Building Fund** is used to account for the acquisition and/or construction of all major governmental capital facilities and buildings from the sale of bond proceeds.

**Nonmajor Governmental Funds**

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

- " The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
- " The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
- " The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
- " The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

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- The Special Reserve Fund was established to account for resources reserved for technology acquisitions.
- The Retiree Health Benefits Fund is used to account for the District's defined benefit post retirement healthcare plan.

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

- The Debt Service Fund is used to account for the payment of the Emergency Apportionment Loan.
- The Corporation Debt Service Fund is used to account for the interest and redemption of the principal of the 1994 COPs issued by West Contra Costa Unified School District Financing Corporation.
- The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of District bonds, interest and related costs.

**Capital project funds** are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains three non-major capital projects funds:

- The State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities.
- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The County School Facilities Fund is used to primarily to account separately for state apportionments. Typical expenditures in this fund include items charged to Buildings and Improvements of Building, Books and Media for New School Libraries.

**Proprietary funds:**

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

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

**Fiduciary Funds:**

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

**D. Basis of Accounting**

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

**Accrual**

Governmental activities in the District 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.

**Modified Accrual**

The governmental fund 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 debt, if any, are recognized when due.

**E. Budgets and Budgetary Accounting**

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

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The District's governing board and superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented as required supplementary information.

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 appropriations by major object account.

**F. Encumbrances**

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

**G. Deposits and Investments**

The Federal Depository Insurance Corporation insures cash balances held in banks and revolving funds up to \$100,000. All cash held by the financial institutions is fully insured or collateralized.

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

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

Information regarding the amount of dollars invested in derivatives with Contra Costa County Treasury was not available.

**H. Stores Inventories and Prepaid Expenditures**

Inventories are recorded using the consumption method in that the cost is recorded as an increase in inventory at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. When supplies are withdrawn, they are recorded as expenditures at the average cost of the item withdrawn. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditures" even though they are a component of net current assets.



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

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

**I. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are recorded as expenditures when incurred. Straight-line depreciation is used based on the following estimated useful lives:

Site Improvements	20 years
Buildings	16-45 years
Machinery and Equipment	5-25 years

**J. Deferred Revenue**

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

**K. Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities, (if any), is recognized in the general fund at year-end. The non-current portion of the liabilities is reported in the government wide *Statements of Net Assets*.

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

**L. Long-Term Obligations**

The District reports long-term debt of governmental funds at face value in the debt service fund. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

**M. Fund Balance Reservations and Designations**

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure as of the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**N. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes for the District. The District recognizes tax revenues when received from the County.

**O. Interfund Activity**

Interfund activity is reported as either reimbursements or transfers. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements.

**P. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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.

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**NOTE 2: CASH AND INVESTMENTS**

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Contra Costa County Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635 pursuant to Section 53601; to invest in time deposits,

U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

As of June 30, 2003, the carrying value of the District's cash and cash equivalents from the County Treasury totaled \$129,476,284.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

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**Cash on Hand, in Banks, and in Revolving Fund**

The Federal Depository Insurance Corporation (FDIC) fully insures the cash banks of \$14,341 and the revolving fund of \$70,000 as of June 30, 2003. These accounts are held with various financial institutions.

**Cash with Fiscal Agents**

At June 30, 2003, the District had amounts totaling \$1,080,075 on deposit in cash with the fiscal agents. Of the total, West Contra Costa Unified School District Financing Corporation had cash on deposit with the Bank of New York and A Guaranteed Investment Contract (GIC) with Morgan Guaranty Trust Company of New York. The cash on deposit is either insured or fully collateralized. The GIC is not subject to categorization. This is the remainder of funds held in trust in accordance with the terms of the 1994 refunding agreement between West Contra Costa Unified School District Financing Corporation and the investors in the Corporations Certificates of Participation (COPs).

The remaining proceeds from the 1996 variable rate COP issued during the fiscal year 1996-97 are invested in a treasury obligation money market account.

The proceeds from the 1999 variable rate COP issued during fiscal year 1998-99 are invested in cash, a Local Agency Investment Fund (LAIF) and an open-ended mutual fund.

**Investments**

The District directs the County Treasurer to invest excess funds in the LAIF. The fund is an investment pool managed by the California State Treasurer. The fair value of the LAIF account was obtained from the State Treasurer. The District has also invested in Guaranteed Investment Contracts (GIC) with various financial institutions. The LAIF and the GIC accounts are not subject to categorization.

Investments as of June 30, 2003, are presented below:

	Carrying Amount	Fair Value
LAIF	\$ 39,739,382	\$ 39,852,492
GIC	66,291,905	66,291,905
Totals	<u>\$ 106,031,287</u>	<u>\$ 106,144,397</u>

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2003, consisted of the following:

	General Fund	Building Fund	NonMajor Funds	Self-Insurance Funds	Total Governmental Funds
Federal government:					
Categorical Aid Programs	\$ 2,415,482	\$ -	\$ 138,681	\$ -	\$ 2,554,163
Child Nutrition Programs	-	-	2,156,688	-	2,156,688
Total federal government	2,415,482	-	2,295,369	-	4,710,851
State government:					
State Apportionment	6,169,141	-	157,654	-	6,326,795
Categorical Aid Programs	3,327,586	-	-	-	3,327,586
Staff Development	342,165	-	-	-	342,165
Lottery	1,536,155	-	-	-	1,536,155
Other State	4,306,554	-	742,493	-	5,049,047
Total state government	15,681,601	-	900,147	-	16,581,748
Local government:					
Interest	243,178	438,220	40,146	363	721,907
Other Local	268,462	-	776,726	-	1,045,188
Total local government	511,640	438,220	816,872	363	1,767,095
Total Accounts Receivable	\$ 18,608,723	\$ 438,220	\$ 4,012,388	\$ 363	\$ 23,059,694

**NOTE 4: INTERFUND ACTIVITIES**

Interfund transactions are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables, as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

As of June 30, 2003, interfund receivables and payable were as follows:

Funds	Interfund Receivables	Interfund Payables
Capital Facilities Fund	\$ 713,000	\$ -
Adult Education		85,000
Cafeteria Fund		628,000
Totals	\$ 713,000	\$ 713,000

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 4: INTERFUND ACTIVITIES (Continued)**

Interfund transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2002-03 were as follows:

<b>Funds</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 180,000	\$ 2,719,125
Child Development Fund	-	707,065
Deferred Maintenance Fund	1,218,026	-
Special Reserve Fund	-	180,000
Building Fund	-	1,218,026
Capital Facilities Fund	707,065	1,211,739
State School Building	1,211,739	-
Corporate Debt Service Fund	855,575	-
Debt Service Fund	1,863,550	-
<b>Totals</b>	<b>\$ 6,035,955</b>	<b>\$ 6,035,955</b>

**NOTE 5: CAPITAL ASSETS AND DEPRECIATION**

Capital asset balances and activity for the year ended June 30, 2003, are as follows:

	<b>Balance, July 1, 2002</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2003</b>
<b>Governmental activities:</b>				
Land	\$ 53,221,911	\$ -	\$ -	\$ 53,221,911
Site Improvements	44,025,269	106,015	-	44,131,284
Buildings	214,477,999	48,765,687	25,104,628	238,139,058
Machinery and Equipment	8,484,092	1,556,642	428,972	9,611,762
Construction In Progress	23,661,060	24,029,554	-	47,690,614
<b>Totals at historical cost</b>	<b>343,870,331</b>	<b>74,457,898</b>	<b>25,533,600</b>	<b>392,794,629</b>
<b>Less: accumulated depreciation</b>				
Site Improvements	21,983,402	3,326,972	-	25,310,374
Buildings	123,573,809	6,375,891	-	129,949,700
Machinery and Equipment	4,783,695	430,478	228,061	4,986,112
<b>Total accumulated depreciation</b>	<b>150,340,906</b>	<b>10,133,341</b>	<b>228,061</b>	<b>160,246,186</b>
<b>Governmental activities, capital assets, net</b>	<b>\$ 193,529,425</b>	<b>\$ 64,324,557</b>	<b>\$ 25,305,539</b>	<b>\$ 232,548,443</b>

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 6: LIABILITY FOR OPEN CLAIMS**

The accrued liability for open claims in the amount of \$480,000 represents an estimate of the eventual loss on claims arising prior to year-end, including losses incurred but not reported.

**NOTE 7: TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On November 7, 2002, the District issued \$25,000,000 in Tax and Revenue Anticipation Notes (TRANS) maturing on November 6, 2003, with an interest rate of 2.50%. The TRANS are a general obligation of the District. There are no contractual obligations related to the issuance other than the TRANS agreement. The funds were used to supplement cash flow. Interest expense of \$404,514 was accrued as of June 30, 2003, on this note.

Year	Interest Rate	Balance		Balance	
		July 1, 2002	Additions	Deletions	June 30, 2003
2001	3.25%	\$ 23,000,000	\$ -	\$ (23,000,000)	\$ -
2002	2.50%	-	25,000,000	-	25,000,000
Totals		\$ 23,000,000	\$ 25,000,000	\$ (23,000,000)	\$ 25,000,000

**NOTE 8: 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 for \$19,000,000 under the conditions of a court order. The State agreed to restructure the repayment of these loans on June 30, 1993. The restructure provided for the consolidation of the two loans and a 15 year repayment period with an annual interest rate of 4.543%. On October 13, 1997, the State agreed to restructure the remaining debt following the District's fiscal year 1997-98 payment. The outstanding balance of \$18,469,145 is to be repaid using straight-line amortization of a 20-year term with an annual interest rate of 5.692%. The revised principal and interest payments of the loan are as follows:

Year Ending June 30	Principal	Interest	Total
2004	\$ 812,286	\$ 1,051,264	\$ 1,863,550
2005	858,522	1,005,028	1,863,550
2006	907,389	956,161	1,863,550
2007	959,037	904,513	1,863,550
2008	1,013,626	849,924	1,863,550
2009-2013	6,002,110	3,315,640	9,317,750
2014-2018	7,916,175	1,401,590	9,317,765
Totals	\$ 18,469,145	\$ 9,484,120	\$ 27,953,265

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 9: GENERAL OBLIGATION BONDS**

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In 1998, the District received authorization through Measure E from the June 2, 1998, election to issue up to \$40,000,000 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. The proceeds of the bonds may be used to build a middle school, repair leaking roofs and provide students with access to additional classroom technology, improve science labs, and upgrade and repair schools throughout the District. The District issued Series A, B, C and D bonds in an aggregate total amount of \$40,000,000.

In 2001, the District issued refunding Measure E bonds. These bonds replaced the four prior Measure E bond issuances: Series A, B, C, and D. The District issued the refunding in order to take advantage of lower interest rate. (See Footnote #22)

On November 6, 2001 the District issued \$28,610,000 of Refunding Series A bonds. The interest rate ranges from 4.15% to 5.75%. The final maturity date is August 1, 2025.

On November 6, 2001, the District issued \$10,255,000 of Refunding Series B bonds. The interest rate ranges from 4.3% to 6%. The final maturity date is August 1, 2024.

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

On May 15, 2001, the District issued \$15,000,000 of Measure M, Series A bonds. The interest rate ranges from 5.0% to 8.0%. The final maturity date is August 1, 2031.

On February 26, 2002, the District issued \$40,000,000 of Measure M, Series B bonds. The interest rates ranges from 4% to 6%. The final maturity date is August 1, 2031.

On April 22, 2003, the District issued \$95,000,000 of Measure M, Series C bonds. The interest rates ranges from 2.5%-5.25%. The final maturity date is August 1, 2032.

In 2002, the District received authorization through Measure D, to issue \$300,000,000 of bonds at an election held on March 5, 2002. The bonds are general obligations of the District, and Contra Costa County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the, bonds. Bond proceeds will be used to complete repairing all of the schools, improve classroom safety, and relieve overcrowding through such projects as: building additional classrooms, making seismic upgrades, repairing and renovating bathrooms; electrical plumbing, heating and ventilation systems; leaking roofs; and fire safety systems. A citizen oversight committee has been established to review, evaluate, and report to the public on the expenditures of



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 9: GENERAL OBLIGATION BONDS (Continued)**

these bonds.

On June 26, 2002, the District issued \$30,000,000 of Measure D, Series A bonds to fund the acquisition and construction of real property modernizations of school facilities. The interest rates ranges from 4.25% to 7%. The final maturity date is August 1, 2031.

The outstanding General Obligation Bond debt of the District as of June 30, 2003 is as follows:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Bonds Outstanding July 1, 2002	Redeemd During the Year	Bonds Outstanding June 30, 2003
Measure E, Refunding Series A	4.15%-5.75%	11/6/2001	8/1/2025	\$ 28,610,000	\$ 27,550,000	\$ 745,000	\$ 26,805,000
Measure E, Refunding Series B	4.3%-6%	11/6/2001	8/1/2024	10,225,000	9,900,000	250,000	9,650,000
Measure M Series A	5%-8%	5/15/2001	8/1/2031	15,000,000	15,000,000	-	15,000,000
Measure M, Series B	4%-6%	2/26/2002	8/1/2031	40,000,000	40,000,000	-	40,000,000
Measure M, Series C	2.5%-5.25%	4/22/2003	08/01/32	95,000,000	-	-	95,000,000
Measure D, Series A	4.25%-7%	6/26/2002	8/1/2031	30,000,000	30,000,000	-	30,000,000
Totals				\$ 218,835,000	\$ 122,450,000	\$ 995,000	\$ 216,455,000

The annual requirements to amortize the 2001 Refunding Measure E, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2003, are shown on the next page:





**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 9: GENERAL OBLIGATION BONDS (Continued)**

Year Ending June 30	Principal	Interest	Total
2004	\$ 780,000	\$ 1,393,163	\$ 2,173,163
2005	800,000	1,360,024	2,160,024
2006	830,000	1,325,516	2,155,516
2007	875,000	1,288,898	2,163,898
2008	915,000	1,249,863	2,164,863
2009-2013	5,270,000	5,568,180	10,838,180
2014-2018	6,830,000	4,094,329	10,924,329
2019-2023	9,010,000	2,010,138	11,020,138
2024-2026	1,495,000	130,381	1,625,381
<b>Totals</b>	<b>\$ 26,805,000</b>	<b>\$ 18,420,492</b>	<b>\$ 45,225,492</b>

The annual requirements to amortize the 2001 Refunding Measure E, Series B, General Obligation Bonds Payable outstanding as of June 30, 2003, are as follows:

Year Ending June 30	Principal	Interest	Total
2004	\$ 260,000	\$ 536,410	\$ 796,410
2005	275,000	524,855	799,855
2006	285,000	512,488	797,488
2007	300,000	499,528	799,528
2008	305,000	485,593	790,593
2009-2013	1,810,000	2,184,195	3,994,195
2014-2018	2,380,000	1,641,890	4,021,890
2019-2023	3,220,000	840,450	4,060,450
2024-2025	815,000	48,900	863,900
<b>Totals</b>	<b>\$ 9,650,000</b>	<b>\$ 7,274,309</b>	<b>\$ 16,924,309</b>

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 9: GENERAL OBLIGATION BONDS (Continued)**

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

Year Ending June 30	Principal	Interest	Total
2004	\$ 260,000	\$ 806,488	\$ 1,066,488
2005	275,000	785,088	1,060,088
2006	285,000	762,688	1,047,688
2007	300,000	762,688	1,062,688
2008	315,000	739,286	1,054,286
2009-2013	1,790,000	3,226,245	5,016,245
2014-2018	2,180,000	2,718,090	4,898,090
2019-2023	2,710,000	2,105,903	4,815,903
2024-2028	3,440,000	1,336,428	4,776,428
2029-2031	3,445,000	364,514	3,809,514
Totals	<u>\$ 15,000,000</u>	<u>\$ 13,607,418</u>	<u>\$ 28,607,418</u>

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

Year Ending June 30	Principal	Interest	Total
2004	\$ -	\$ 1,958,850	\$ 1,958,850
2005	690,000	1,938,150	2,628,150
2006	725,000	1,895,000	2,620,000
2007	760,000	1,895,150	2,655,150
2008	800,000	1,804,350	2,604,350
2009-2013	4,620,000	8,408,900	13,028,900
2014-2018	5,800,000	7,309,509	13,109,509
2019-2023	7,405,000	5,756,188	13,161,188
2024-2028	9,560,000	3,654,500	13,214,500
2029-2031	9,640,000	995,250	10,635,250
Totals	<u>\$ 40,000,000</u>	<u>\$ 35,615,847</u>	<u>\$ 75,615,847</u>

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 9: GENERAL OBLIGATION BONDS (Continued)**

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

Year Ending June 30	Principal	Interest	Total
2004	\$ -	\$ 5,917,083	\$ 5,917,083
2005	1,910,000	4,437,812	6,347,812
2006	1,985,000	4,390,062	6,375,062
2007	2,065,000	4,330,512	6,395,512
2008	2,145,000	4,278,888	6,423,888
2009-2013	12,025,000	20,122,386	32,147,386
2014-2018	14,315,000	17,428,174	31,743,174
2019-2023	17,440,000	13,491,962	30,931,962
2024-2028	21,705,000	8,707,750	30,412,750
2029-2032	21,410,000	2,739,250	24,149,250
Totals	\$ 95,000,000	\$ 85,843,879	\$ 180,843,879

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

Year Ending June 30	Principal	Interest	Total
2004	\$ -	\$ 1,506,170	\$ 1,506,170
2005	540,000	1,488,620	2,028,620
2006	570,000	1,452,545	2,022,545
2007	595,000	1,413,195	2,008,195
2008	625,000	1,392,370	2,017,370
2009-2013	3,600,000	5,076,659	8,676,659
2014-2018	4,415,000	5,615,563	10,030,563
2019-2023	5,525,000	4,517,450	10,042,450
2024-2028	7,060,000	3,029,500	10,089,500
2029-2031	7,070,000	1,121,875	8,191,875
Totals	\$ 30,000,000	\$ 26,613,947	\$ 56,613,947



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 10: DEFEASED DEBT**

On November 6, 2001, the District issued \$28,610,000 of Refunding Series A bonds with interest rates ranging from 4.15% to 5.75% to advance refund issued and outstanding term bonds in the amount of \$28,875,000 with interest rates ranging from 4% to 7.875%. The bonds were issued to advance refund three prior Measure E bond issuances (Series A, B and D) with a combined original issue amount of \$30,000,000. The final maturity date of the term bonds is August 1, 2025. After payment of issuance and related costs of \$77,819, the net proceeds of the bond sale were \$28,727,532. The net proceeds were used to purchase U.S. government securities and those securities were deposited in irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid in full. The advanced refunding met the requirements of an in-substance debt defeasance and the three prior bond issuances were removed from the District's government-wide financial statements. As a result of the advanced refunding, the District reduced its total debt service requirements by \$619,195, resulting in an economic loss (difference between the present value of the debt service payments of the old and new debt) of \$25,327.

On November 6, 2001, the District issued \$10,255,000 of Refunding Series B, bonds with interest rates ranging from 4.3% to 6% to advance refund issued and outstanding term bonds in the amount of \$10,000,000 with interest rates ranging from 5.00% to 8.00%. The bonds were issued to advance refund the prior Measure E bond issuance (Series C) with an original issue amount of \$10,000,000. The final maturity date of the term bonds is August 1, 2024. After payment of issuance and related costs of \$30,469, the net proceeds of the bond sale were \$10,294,431. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the prior bond issuance was removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$219,000, resulting in an economic loss (difference between the present value of the debt service payments of the old and new debt) of \$11,391.

Refunding Series A and B bonds were completed in order to achieve the net cash flow savings noted above in the combined amount of \$838,195, which will reduce the average annual tax paid by taxpayers during the life of the Measure E Bond and for the additional payment of \$393,400 from the underwriter for purchase of the District's optional redemption rights on the Measure E Bonds. These funds were deposited to the District's Building Fund and will be used in the District's building and school renovation program.

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**NOTE 11: CERTIFICATES OF PARTICIPATION**

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

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 11: CERTIFICATES OF PARTICIPATION (Continued)**

The trustee, as assignee of the Corporation, will receive the following payments for the benefit of the certificate owners. The debt service payments for the COPs issuance is as follows:

Year Ending June 30	Principal	Interest	Total
2004	\$ 215,000	\$ 702,166	\$ 917,166
2005	235,000	687,041	922,041
2006	245,000	670,713	915,713
2007	265,000	653,525	918,525
2008	285,000	634,962	919,962
2009-2013	1,755,000	2,840,160	4,595,160
2014-2018	2,515,000	2,100,448	4,615,448
2019-2023	3,560,000	1,047,906	4,607,906
2024	885,000	47,382	932,382
Totals	\$ 9,960,000	\$ 9,384,303	\$ 19,344,303

**NOTE 12: VOLUNTARY INTEGRATION PROGRAM AUDIT EXCEPTIONS**

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

Year Ending June 30	Total Payments
2004	\$ 300,000
2005	300,000
2006	300,000
2007	300,000
2008	300,000
2009-2013	1,500,000
2014-2018	1,500,000
2019-2022	1,152,000
Totals	\$ 5,652,000



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 13: COMPUTER EQUIPMENT ACQUISITION LOANS**

During fiscal year 1989-90, the District financed the acquisition of an administrative and instructional computer system with a loan from IBM. The acquired assets collateralize 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 \$5,000,000, comprised of \$2,459,111 of principal and \$2,540,889 of interest, payable in fiscal years 2007-08 through 2010-11. The Pooled Money investment Rate of 4.402% as of June 30, 1993, was used to impute the interest costs implicit in the repayment amount. At June 30, 2003; the imputed interest payable is \$1,324,150. Therefore, the carrying balance of the loan at June 30, 2003 is \$3,783,261.

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**NOTE 14: CHILD CARE FACILITIES LOAN**

On February 7, 2001, the District received a no-interest loan from 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 2002-2003, the District received an additional \$598,060, leaving a balance of \$906,540. The loan balance is to be repaid in ten annual installments.

The repayment schedule is as follows:

Year Ending June 30	Total Payments
2004	\$ 97,524
2005	97,524
2006	97,524
2007	97,524
2008	97,524
2009-2012	418,920
Totals	<u>\$ 906,540</u>

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**NOTE 15: LONG-TERM DEBT- SCHEDULE OF CHANGES**

The Debt Service Fund pays the principal and interest payments on the Emergency Apportionment loan. The Bond Interest and Redemption Fund collects ad valorem property taxes, which are used to make debt service payments on the general obligation bonds. The Corporation Debt Service Fund, with monies from the General fund, pays the principal and interest on the 1994 COPs. The General Fund pays the District's payments for the Voluntary Integration Program. The Alternative Education Learning Center, a direct funded charter school and 501(c)3 not-for profit Corporation, pays the principal and interest payments for the Charter School Revolving Loan. The Board of



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE 15: LONG-TERM DEBT- SCHEDULE OF CHANGES (Continued)**

Trustees revoked the charter for Alternative Education Learning Center. The District is not responsible for satisfying the Charter School's Revolving Loan. The accrued vacation will be paid by the fund for which the employee worked.

The schedule of changes in long-term debt for the year ended June 30, 2003, is shown below:

	Balance			Amounts	
	July 1, 2002	Additions	Deductions	Balance June 30, 2003	Due Within One Year
Emergency Apportionment Loan	\$ 19,237,686	\$ -	\$ 768,541	\$ 18,469,145	\$ 812,286
General Obligation Bonds	122,450,000	95,000,000	995,000	216,455,000	3,900,000
1994 Certificates of Participation	11,325,000	-	1,365,000	9,960,000	215,000
Voluntary Integration Program	5,952,000	-	300,000	5,652,000	300,000
Computer Equipment Acquisition	3,623,744	159,517	-	3,783,261	-
Compensated Absences	3,096,423	566,042	-	3,662,465	685,553
Child Care Facilities Loan	540,048	598,060	231,568	906,540	97,524
Charter School Revolving Loan	200,000	-	200,000	-	-
Governmental Activities					
Long-term liabilities	\$ 166,424,901	\$ 96,323,619	\$ 3,860,109	\$ 258,888,411	\$ 6,010,363

**NOTE 16: JOINT POWER AGREEMENTS**

The District participates with other local education agencies in three joint powers agreements (JPAs):

- The Contra Costa County Schools Insurance Group (CCCSIG) enters into reinsurance agreements whereby it cedes various risk to other insurance companies. Risks ceded to insurance companies are treated as though they are not risks for which CCSIG is liable. CCSIG's excess worker's compensation policies were purchased with a retention amount of \$500,000 per claim and its members are covered by insurance for individual claims to the statutory maximum.
- Schools Excess Liability Fund (SELF) arranges for and provides liability coverage for its member's public educational agencies for claims of \$1 million to \$14 million per occurrence. The District pays premiums and may receive premium refunds.
- Northern California Regional Liability Excess Fund (Nor Cal Relief) arranges for and provides liability and property damage insurance coverage for claims up to \$1,000,000. Coverage is provided by purchasing insurance policies from commercial carriers as well as a self insurance pool from member contributions. The District may receive rebates of current premiums in future years based on the experience of the JPA as a whole.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 16: JOINT POWER AGREEMENTS (Continued)**

A board consisting of a representative from each member District governs the JPAs. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing board. The JPAs are independently accountable for their fiscal matters. CCCSIG, SELF and North Cal Relief maintain their own accounting records, and their budgets are not subject to any approval other than that of the respective governing boards. Member Districts share JPA surpluses and deficits in proportion to their participation in each JPA. As such, the JPAs are not component units and are not included in the accompanying District financial statements for financial reporting purposes. Condensed financial information was not available for presentation for June 30, 2003.

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**NOTE 17: CHARTER SCHOOLS**

The District has granted and approved four charter schools pursuant to Education Code Section 47605. The Manzanita Charter Middle School charter was granted and approved on or about June 21, 2000, for a term of five years commencing July 1, 2000. The Alternative Education Learning Center charter school commenced on January 17, 2001, expiring June 15, 2005. The Towers Preparatory charter school opened in September 2002, but later that month, the District revoked the charter. On February 27, 2003, the Leadership High School Charter was approved. It will begin operations in August 2003.

The charter schools operating within the District have elected to be directly funded by the State. The District receives a supervisory fee (per Education Code Section 47613(a), "... not to exceed 1% of the revenue of the charter school"), from each of the charter schools.

The District also has an administrative services contract with Manzanita Charter Middle School and receives fees equivalent to the District's indirect cost rate for administrative services, which shall not exceed 6 % of the revenue of the charter school.

The charter schools are required in their individual charter agreements to have an annual financial audit performed. As of June 30, 2003, the District has not received a copy of the audit reports. Additionally, the charter schools are to provide the District with an annual performance report.

The activities of the charter schools are accounted for in the Charter School Fund; however, for disclosure purposes, these activities are presented in the District's General Fund.



**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 18: COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

A class action regarding modified retiree health benefits was brought against the District by over 1,500 retirees. The reimposition of retiree benefits may cost the District approximately \$300,000 a year for the next ten years.

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**NOTE 19: EMPLOYMENT 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 California State Teacher's Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**Public Employees' Retirement System**

**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. A state statute, as legislatively amended, within the Public Employees' Retirement Law, establishes benefit provisions. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento California 95814.

**Funding Policy**

Active plan members are required to contribute 7% of their salary 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 2002-03 was 2.894% of covered payroll. The contribution requirements of the plan members are established by state statute. For the fiscal years ended June 30, 2003, the District contributed \$984,006.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 19: EMPLOYMENT RETIREMENT SYSTEMS (Continued)**

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**State Teachers' Retirement System**

**Plan Description**

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

**Funding Policy**

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2002-03 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contribution to STRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$9,423,802, \$8,714,812 and \$8,474,761, respectively, and equal 100% of the required contributions for each year.

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**NOTE 20: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

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In addition to the pension benefits described in Note 19, the District provides post-retirement health care benefits to all employees who (1) have been employed by the District continuously for a period of ten years immediately prior to retirement if the retiree is 65 years or older; (2) have been employed continuously by the District for a period of ten years immediately prior to retirement if the employee retires at less than age 65 and has accumulated a total of 30 years in public education including the ten years with the District; and (3) have accumulated one additional year (over the ten-year minimum) in the District for each year under age 65 at the time of retirement, up to a total of ten additional years (for example, a 58-year-old retiree must have accumulated 17 years of District service immediately prior to retirement). On June 30, 2003, a total of 1,748 retirees met these requirements.

The District offers retirees a choice of two health maintenance organizations (HMOs) for health benefits and a supplemental Medicare Part A Plan; dental benefits are offered through one insurer. The District pays 100% for the monthly HMO and dental benefit premiums for retirees and their spouses. All eligible retirees and their spouses who qualify for Medicare benefits must apply and pay premiums for Medicare coverage as prescribed by law. Expenditures for post-retirement health care benefits are recognized when paid. During the year ended June 30, 2003, expenditures of \$7,961,825 were recognized for post-retirement health care.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 21: SUBSEQUENT EVENTS**

On July 9, 2003, the District received a copy of the June 30, 2002 audit report for the Alternative Education Learning Center charter school. The District revoked its charter at a board meeting on July 9, 2003.

In August 2003, the District issued \$75 million in construction contracts for nine elementary schools to be funded by the Building Fund.

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## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") in the name of the District of \$69,999,376.75 principal amount of West Contra Costa Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series C, consisting of \$40,000,000 Current Interest Bonds and \$29,999,376.75 (Denominational Amount) Capital Appreciation Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on June 16, 2004, and a resolution adopted by the Board on July 6, 2004 (collectively, the "Resolution"). The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

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

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

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

*"National Repository"* shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

*"Participating Underwriter"* shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

*"State Repository"* shall mean any public or private repository or entity designated by the State of California as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. The current State Repositories are set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

### **SECTION 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District's fiscal year (currently ending June 30), commencing with the report for the

2003-04 Fiscal Year (which is due not later than April 1, 2005), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

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

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

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

(i) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

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

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

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

(iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

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

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

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

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

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board, and with the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Contra Costa or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

WEST CONTRA COSTA UNIFIED SCHOOL  
DISTRICT

By \_\_\_\_\_  
Superintendent



EXHIBIT A

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

Name of Issuer: West Contra Costa Unified School District

Name of Issue: West Contra Costa Unified School District (Contra Costa County, California)  
General Obligation Bonds, Election of 2002, Series C, consisting of Current  
Interest Bonds and Capital Appreciation Bonds (the "Bonds")

Date of Issuance: [Closing Date]

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

Dated: \_\_\_\_\_

WEST CONTRA COSTA UNIFIED SCHOOL  
DISTRICT

By \_\_\_\_\_  
Title \_\_\_\_\_

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## **APPENDIX D**

### **ACCRETED VALUE TABLES**

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# APPENDIX D

## ACCREDITED VALUE TABLES

DATE	08/01/2006 @ 2.4004401%	08/01/2007 @ 2.8503601%	08/01/2008 @ 3.2701026%	08/01/2009 @ 3.5601429%	08/01/2010 @ 3.7701970%	08/01/2011 @ 4.0200537%
08/11/2004	9,540.30	151,687.80	285,710.75	411,144.30	524,039.30	632,654.45
02/01/2005	9,648.41	153,728.72	290,120.75	418,052.97	533,364.29	644,657.84
08/01/2005	9,764.21	155,919.63	294,864.37	425,494.62	543,418.73	657,615.64
02/01/2006	9,881.40	158,141.77	299,685.55	433,068.72	553,662.71	670,833.89
08/01/2006	10,000.00	160,395.57	304,585.57	440,777.66	564,099.80	684,317.83
02/01/2007	-	162,681.50	309,565.70	448,623.81	574,733.63	698,072.80
08/01/2007	-	165,000.00	314,627.25	456,609.64	585,567.93	712,104.25
02/01/2008	-	-	319,771.57	464,737.62	596,606.46	726,417.74
08/01/2008	-	-	325,000.00	473,010.28	607,853.08	741,018.93
02/01/2009	-	-	-	481,430.20	619,311.71	755,913.61
08/01/2009	-	-	-	490,000.00	630,986.34	771,107.68
02/01/2010	-	-	-	-	642,881.06	786,607.15
08/01/2010	-	-	-	-	655,000.00	802,418.16
02/01/2011	-	-	-	-	-	818,546.99
08/01/2011	-	-	-	-	-	835,000.00
02/01/2012	-	-	-	-	-	-
08/01/2012	-	-	-	-	-	-
02/01/2013	-	-	-	-	-	-
08/01/2013	-	-	-	-	-	-
02/01/2014	-	-	-	-	-	-
08/01/2014	-	-	-	-	-	-
02/01/2015	-	-	-	-	-	-
08/01/2015	-	-	-	-	-	-
02/01/2016	-	-	-	-	-	-
08/01/2016	-	-	-	-	-	-
02/01/2017	-	-	-	-	-	-
08/01/2017	-	-	-	-	-	-
02/01/2018	-	-	-	-	-	-
08/01/2018	-	-	-	-	-	-
02/01/2019	-	-	-	-	-	-
08/01/2019	-	-	-	-	-	-
02/01/2020	-	-	-	-	-	-
08/01/2020	-	-	-	-	-	-
02/01/2021	-	-	-	-	-	-
08/01/2021	-	-	-	-	-	-
02/01/2022	-	-	-	-	-	-
08/01/2022	-	-	-	-	-	-
02/01/2023	-	-	-	-	-	-
08/01/2023	-	-	-	-	-	-
02/01/2024	-	-	-	-	-	-
08/01/2024	-	-	-	-	-	-
02/01/2025	-	-	-	-	-	-
08/01/2025	-	-	-	-	-	-
02/01/2026	-	-	-	-	-	-
08/01/2026	-	-	-	-	-	-
02/01/2027	-	-	-	-	-	-
08/01/2027	-	-	-	-	-	-
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08/01/2028	-	-	-	-	-	-
02/01/2029	-	-	-	-	-	-
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02/01/2030	-	-	-	-	-	-
08/01/2030	-	-	-	-	-	-
02/01/2031	-	-	-	-	-	-
08/01/2031	-	-	-	-	-	-
02/01/2032	-	-	-	-	-	-
08/01/2032	-	-	-	-	-	-
02/01/2033	-	-	-	-	-	-
08/01/2033	-	-	-	-	-	-
02/01/2034	-	-	-	-	-	-
08/01/2034	-	-	-	-	-	-

DATE	08/01/2012 @ 4.2000415%	08/01/2013 @ 4.3801539%	08/01/2014 @ 4.5100588%	08/01/2015 @ 4.6501143%	08/01/2016 @ 4.7600452%	08/01/2017 @ 4.8700210%
08/11/2004	732,298.80	823,648.50	906,986.70	978,285.60	1,047,659.20	803,550.00
02/01/2005	746,814.46	840,674.61	926,291.24	999,753.89	1,071,193.03	822,017.10
08/01/2005	762,497.72	859,086.03	947,179.38	1,022,998.74	1,096,687.67	842,033.31
02/01/2006	778,510.33	877,900.68	968,538.56	1,046,784.04	1,122,789.08	862,536.91
08/01/2006	794,859.21	897,127.38	990,379.39	1,071,122.37	1,149,511.72	883,539.77
02/01/2007	811,551.41	916,775.16	1,012,712.73	1,096,026.58	1,176,870.36	905,054.06
08/01/2007	828,594.16	936,853.24	1,035,549.70	1,121,509.82	1,204,880.14	927,092.22
02/01/2008	845,994.81	957,371.05	1,058,901.65	1,147,585.56	1,233,556.56	949,667.01
08/01/2008	863,760.88	978,338.21	1,082,780.20	1,174,267.58	1,262,915.48	972,791.50
02/01/2009	881,900.04	999,764.57	1,107,197.21	1,201,569.98	1,292,973.15	996,479.08
08/01/2009	900,420.12	1,021,660.18	1,132,164.83	1,229,507.17	1,323,746.21	1,020,743.45
02/01/2010	919,329.13	1,044,035.33	1,157,695.48	1,258,093.91	1,355,251.67	1,045,598.66
08/01/2010	938,635.23	1,066,900.50	1,183,801.86	1,287,345.31	1,387,506.96	1,071,059.09
02/01/2011	958,346.76	1,090,266.45	1,210,496.94	1,317,276.83	1,420,529.94	1,097,139.49
08/01/2011	978,472.25	1,114,144.12	1,237,794.00	1,347,904.27	1,454,338.87	1,123,854.95
02/01/2012	999,020.37	1,138,544.73	1,265,706.62	1,379,243.81	1,488,952.47	1,151,220.94
08/01/2012	1,020,000.00	1,163,479.74	1,294,248.67	1,411,312.02	1,524,389.87	1,179,253.29
02/01/2013	-	1,188,960.84	1,323,434.36	1,444,125.83	1,560,670.70	1,207,968.23
08/01/2013	-	1,215,000.00	1,353,278.19	1,477,702.58	1,597,815.01	1,237,382.39
02/01/2014	-	-	1,383,795.02	1,512,060.01	1,635,843.37	1,267,512.78
08/01/2014	-	-	1,415,000.00	1,547,216.27	1,674,776.81	1,298,376.85
02/01/2015	-	-	-	1,583,189.93	1,714,636.88	1,329,992.46
08/01/2015	-	-	-	1,620,000.00	1,755,445.62	1,362,377.91
02/01/2016	-	-	-	-	1,797,225.62	1,395,551.96
08/01/2016	-	-	-	-	1,840,000.00	1,429,533.79
02/01/2017	-	-	-	-	-	1,464,343.09
08/01/2017	-	-	-	-	-	1,500,000.00
02/01/2018	-	-	-	-	-	-
08/01/2018	-	-	-	-	-	-
02/01/2019	-	-	-	-	-	-
08/01/2019	-	-	-	-	-	-
02/01/2020	-	-	-	-	-	-
08/01/2020	-	-	-	-	-	-
02/01/2021	-	-	-	-	-	-
08/01/2021	-	-	-	-	-	-
02/01/2022	-	-	-	-	-	-
08/01/2022	-	-	-	-	-	-
02/01/2023	-	-	-	-	-	-
08/01/2023	-	-	-	-	-	-
02/01/2024	-	-	-	-	-	-
08/01/2024	-	-	-	-	-	-
02/01/2025	-	-	-	-	-	-
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08/01/2026	-	-	-	-	-	-
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02/01/2028	-	-	-	-	-	-
08/01/2028	-	-	-	-	-	-
02/01/2029	-	-	-	-	-	-
08/01/2029	-	-	-	-	-	-
02/01/2030	-	-	-	-	-	-
08/01/2030	-	-	-	-	-	-
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08/01/2031	-	-	-	-	-	-
02/01/2032	-	-	-	-	-	-
08/01/2032	-	-	-	-	-	-
02/01/2033	-	-	-	-	-	-
08/01/2033	-	-	-	-	-	-
02/01/2034	-	-	-	-	-	-
08/01/2034	-	-	-	-	-	-

DATE	08/01/2018 @ 4.9800687%	08/01/2019 @ 5.0800289%	08/01/2020 @ 5.1900505%	08/01/2021 @ 5.2700063%	08/01/2022 @ 5.3500739%	08/01/2023 @ 5.4401166%
08/11/2004	754,395.00	1,123,003.00	1,248,426.20	1,240,800.00	1,161,510.00	1,336,440.00
02/01/2005	772,123.94	1,149,923.91	1,279,001.49	1,271,656.33	1,190,833.06	1,370,746.70
08/01/2005	791,350.09	1,179,132.14	1,312,191.90	1,305,164.51	1,222,688.29	1,408,031.81
02/01/2006	811,054.98	1,209,082.27	1,346,243.61	1,339,555.64	1,255,395.65	1,446,331.09
08/01/2006	831,250.52	1,239,793.13	1,381,178.97	1,374,852.97	1,288,977.95	1,485,672.14
02/01/2007	851,948.95	1,271,284.06	1,417,020.91	1,411,080.39	1,323,458.58	1,526,083.29
08/01/2007	873,162.77	1,303,574.85	1,453,792.97	1,448,262.40	1,358,861.59	1,567,593.65
02/01/2008	894,904.82	1,336,685.84	1,491,519.26	1,486,424.16	1,395,211.64	1,610,233.11
08/01/2008	917,188.26	1,370,637.86	1,530,224.56	1,525,591.49	1,432,534.06	1,654,032.39
02/01/2009	940,026.56	1,405,452.26	1,569,934.28	1,565,790.87	1,470,854.88	1,699,023.03
08/01/2009	963,433.54	1,441,150.95	1,610,674.47	1,607,049.51	1,510,200.79	1,745,237.45
02/01/2010	987,423.37	1,477,756.39	1,652,471.88	1,649,395.31	1,550,599.22	1,792,708.92
08/01/2010	1,012,010.55	1,515,291.62	1,695,353.94	1,692,856.93	1,592,078.32	1,841,471.65
02/01/2011	1,037,209.96	1,553,780.24	1,739,348.80	1,737,463.77	1,634,667.01	1,891,560.75
08/01/2011	1,063,036.85	1,593,246.48	1,784,485.34	1,783,245.99	1,678,394.95	1,943,012.31
02/01/2012	1,089,506.83	1,633,715.17	1,830,793.19	1,830,234.58	1,723,292.64	1,995,863.38
08/01/2012	1,116,635.92	1,675,211.78	1,878,302.74	1,878,461.32	1,769,391.35	2,050,152.02
02/01/2013	1,144,440.54	1,717,762.40	1,927,045.17	1,927,958.83	1,816,723.22	2,105,917.35
08/01/2013	1,172,937.50	1,761,393.81	1,977,052.48	1,978,760.61	1,865,321.24	2,163,199.53
02/01/2014	1,202,144.05	1,806,133.47	2,028,357.49	2,030,901.01	1,915,219.27	2,222,039.82
08/01/2014	1,232,077.85	1,852,009.52	2,080,993.88	2,084,415.32	1,966,452.09	2,282,480.60
02/01/2015	1,262,757.01	1,899,050.83	2,134,996.19	2,139,339.73	2,019,055.41	2,344,565.40
08/01/2015	1,294,200.09	1,947,286.99	2,190,399.88	2,195,711.39	2,073,065.89	2,408,338.95
02/01/2016	1,326,426.12	1,996,748.36	2,247,241.31	2,253,568.46	2,128,521.17	2,473,847.17
08/01/2016	1,359,454.59	2,047,466.06	2,305,557.79	2,312,950.06	2,185,459.90	2,541,137.26
02/01/2017	1,393,305.47	2,099,471.99	2,365,387.60	2,373,896.36	2,243,921.76	2,610,257.67
08/01/2017	1,427,999.26	2,152,798.89	2,426,770.01	2,436,448.61	2,303,947.49	2,681,258.20
02/01/2018	1,463,556.93	2,207,480.29	2,489,745.30	2,500,649.11	2,365,578.94	2,754,189.99
08/01/2018	1,500,000.00	2,263,550.61	2,554,354.82	2,566,541.29	2,428,859.05	2,829,105.56
02/01/2019	-	2,321,045.12	2,620,640.98	2,634,169.73	2,493,831.93	2,906,058.88
08/01/2019	-	2,380,000.00	2,688,647.27	2,703,580.19	2,560,542.85	2,985,105.38
02/01/2020	-	-	2,758,418.35	2,774,819.61	2,629,038.32	3,066,301.98
08/01/2020	-	-	2,830,000.00	2,847,936.19	2,699,366.06	3,149,707.18
02/01/2021	-	-	-	2,922,979.40	2,771,575.10	3,235,381.06
08/01/2021	-	-	-	3,000,000.00	2,845,715.76	3,323,385.31
02/01/2022	-	-	-	-	2,921,839.71	3,413,783.32
08/01/2022	-	-	-	-	3,000,000.00	3,506,640.22
02/01/2023	-	-	-	-	-	3,602,022.88
08/01/2023	-	-	-	-	-	3,700,000.00
02/01/2024	-	-	-	-	-	-
08/01/2024	-	-	-	-	-	-
02/01/2025	-	-	-	-	-	-
08/01/2025	-	-	-	-	-	-
02/01/2026	-	-	-	-	-	-
08/01/2026	-	-	-	-	-	-
02/01/2027	-	-	-	-	-	-
08/01/2027	-	-	-	-	-	-
02/01/2028	-	-	-	-	-	-
08/01/2028	-	-	-	-	-	-
02/01/2029	-	-	-	-	-	-
08/01/2029	-	-	-	-	-	-
02/01/2030	-	-	-	-	-	-
08/01/2030	-	-	-	-	-	-
02/01/2031	-	-	-	-	-	-
08/01/2031	-	-	-	-	-	-
02/01/2032	-	-	-	-	-	-
08/01/2032	-	-	-	-	-	-
02/01/2033	-	-	-	-	-	-
08/01/2033	-	-	-	-	-	-
02/01/2034	-	-	-	-	-	-
08/01/2034	-	-	-	-	-	-

DATE	08/01/2024 @ 5.5300702%	08/01/2025 @ 5.6101362%	08/01/2026 @ 5.6801414%	08/01/2027 @ 5.7300117%	08/01/2028 @ 5.7601649%	08/01/2029 @ 5.7801138%
08/11/2004	1,348,923.90	1,360,025.80	1,369,949.00	1,380,672.15	1,391,817.60	1,403,825.00
02/01/2005	1,384,123.20	1,396,028.22	1,406,666.29	1,418,001.48	1,429,646.14	1,442,111.93
08/01/2005	1,422,394.69	1,435,187.77	1,446,616.60	1,458,627.30	1,470,821.13	1,483,789.78
02/01/2006	1,461,724.41	1,475,445.76	1,487,701.54	1,500,417.06	1,513,181.99	1,526,672.15
08/01/2006	1,502,141.60	1,516,833.02	1,529,953.32	1,543,404.10	1,556,762.88	1,570,793.84
02/01/2007	1,543,676.34	1,559,381.22	1,573,405.07	1,587,622.71	1,601,598.93	1,616,190.68
08/01/2007	1,586,359.53	1,603,122.92	1,618,090.89	1,633,108.20	1,647,726.30	1,662,899.51
02/01/2008	1,630,222.93	1,648,091.61	1,664,045.81	1,679,896.84	1,695,182.18	1,710,958.25
08/01/2008	1,675,299.17	1,694,321.71	1,711,305.89	1,728,025.98	1,744,004.82	1,760,405.92
02/01/2009	1,721,621.78	1,741,848.58	1,759,908.19	1,777,534.03	1,794,233.60	1,811,282.65
08/01/2009	1,769,225.23	1,790,708.62	1,809,890.83	1,828,460.48	1,845,909.01	1,863,629.75
02/01/2010	1,818,144.92	1,840,939.22	1,861,293.00	1,880,845.98	1,899,072.71	1,917,489.71
08/01/2010	1,868,417.27	1,892,578.82	1,914,155.04	1,934,732.33	1,953,767.57	1,972,906.25
02/01/2011	1,920,079.66	1,945,666.94	1,968,518.40	1,990,162.52	2,010,037.68	2,029,924.37
08/01/2011	1,973,170.54	2,000,244.23	2,024,425.71	2,047,180.80	2,067,928.43	2,088,590.34
02/01/2012	2,027,729.40	2,056,352.44	2,081,920.84	2,105,832.64	2,127,486.47	2,148,951.78
08/01/2012	2,083,796.83	2,114,034.53	2,141,048.86	2,166,164.87	2,188,759.84	2,211,057.71
02/01/2013	2,141,414.54	2,173,334.63	2,201,856.16	2,228,225.62	2,251,797.93	2,274,958.54
08/01/2013	2,200,625.41	2,234,298.15	2,264,390.43	2,292,064.42	2,316,651.56	2,340,706.14
02/01/2014	2,261,473.47	2,296,971.74	2,328,700.72	2,357,732.20	2,383,373.04	2,408,353.87
08/01/2014	2,324,004.01	2,361,403.36	2,394,837.47	2,425,281.36	2,452,016.15	2,477,956.67
02/01/2015	2,388,263.54	2,427,642.33	2,462,852.55	2,494,765.81	2,522,636.23	2,549,571.03
08/01/2015	2,454,299.86	2,495,739.35	2,532,799.30	2,566,241.00	2,595,290.24	2,623,255.08
02/01/2016	2,522,162.11	2,565,746.54	2,604,732.59	2,639,763.95	2,670,036.74	2,699,068.65
08/01/2016	2,591,900.78	2,637,717.48	2,678,708.84	2,715,393.34	2,746,936.00	2,777,073.27
02/01/2017	2,663,567.75	2,711,707.25	2,754,786.07	2,793,189.52	2,826,050.02	2,857,332.26
08/01/2017	2,737,216.33	2,787,772.48	2,833,023.94	2,873,214.56	2,907,442.59	2,939,910.79
02/01/2018	2,812,901.33	2,865,971.40	2,913,483.82	2,955,532.33	2,991,179.33	3,024,875.89
08/01/2018	2,890,679.04	2,946,363.85	2,996,228.82	3,040,208.50	3,077,327.77	3,112,296.52
02/01/2019	2,970,607.33	3,029,011.36	3,081,323.84	3,127,310.65	3,165,957.34	3,202,243.66
08/01/2019	3,052,745.66	3,113,977.20	3,168,835.61	3,216,908.29	3,257,139.53	3,294,790.33
02/01/2020	3,137,155.15	3,201,326.38	3,258,832.79	3,309,072.90	3,350,947.83	3,390,011.64
08/01/2020	3,223,898.59	3,291,125.76	3,351,385.94	3,403,878.03	3,447,457.89	3,487,984.91
02/01/2021	3,313,040.52	3,383,444.08	3,446,567.67	3,501,399.33	3,546,747.52	3,588,789.65
08/01/2021	3,404,647.26	3,478,351.99	3,544,452.63	3,601,714.63	3,648,896.78	3,692,507.72
02/01/2022	3,498,786.95	3,575,922.13	3,645,117.59	3,704,903.96	3,753,988.01	3,799,223.29
08/01/2022	3,595,529.64	3,676,229.19	3,748,641.51	3,811,049.67	3,862,105.96	3,909,023.01
02/01/2023	3,694,947.29	3,779,349.92	3,855,105.58	3,920,236.47	3,973,337.80	4,021,995.99
08/01/2023	3,797,113.88	3,885,363.26	3,964,593.30	4,032,551.47	4,087,773.20	4,138,233.97
02/01/2024	3,902,105.41	3,994,350.34	4,077,190.56	4,148,084.31	4,205,504.44	4,257,831.28
08/01/2024	4,010,000.00	4,106,394.59	4,192,985.65	4,266,927.17	4,326,626.44	4,380,885.03
02/01/2025	-	4,221,581.76	4,312,069.41	4,389,174.88	4,451,236.85	4,507,495.10
08/01/2025	-	4,340,000.00	4,434,535.23	4,514,924.99	4,579,436.14	4,637,764.27
02/01/2026	-	-	4,560,479.17	4,644,277.86	4,711,327.68	4,771,798.30
08/01/2026	-	-	4,690,000.00	4,777,336.69	4,847,017.80	4,909,705.99
02/01/2027	-	-	-	4,914,207.66	4,986,615.91	5,051,599.28
08/01/2027	-	-	-	5,055,000.00	5,130,234.56	5,197,593.37
02/01/2028	-	-	-	-	5,277,989.55	5,347,806.78
08/01/2028	-	-	-	-	5,430,000.00	5,502,361.44
02/01/2029	-	-	-	-	-	5,661,382.82
08/01/2029	-	-	-	-	-	5,825,000.00
02/01/2030	-	-	-	-	-	-
08/01/2030	-	-	-	-	-	-
02/01/2031	-	-	-	-	-	-
08/01/2031	-	-	-	-	-	-
02/01/2032	-	-	-	-	-	-
08/01/2032	-	-	-	-	-	-
02/01/2033	-	-	-	-	-	-
08/01/2033	-	-	-	-	-	-
02/01/2034	-	-	-	-	-	-
08/01/2034	-	-	-	-	-	-



DATE	08/01/2030 @ 5.7900690%	08/01/2031 @ 5.8000713%	08/01/2032 @ 5.8101377%	08/01/2033 @ 5.8100403%	08/01/2034 @ 5.8100202%
08/11/2004	1,415,843.80	1,426,846.40	1,541,322.00	1,860,840.60	1,845,313.60
02/01/2005	1,454,524.97	1,465,895.45	1,583,577.10	1,911,854.40	1,895,901.56
08/01/2005	1,496,633.97	1,508,406.94	1,629,581.11	1,967,394.16	1,950,977.69
02/01/2006	1,539,962.04	1,552,151.28	1,676,921.56	2,024,547.35	2,007,653.79
08/01/2006	1,584,544.47	1,597,164.22	1,725,637.29	2,083,360.86	2,065,976.34
02/01/2007	1,630,417.58	1,643,482.55	1,775,768.24	2,143,882.92	2,125,993.16
08/01/2007	1,677,618.74	1,691,144.13	1,827,355.53	2,206,163.15	2,187,753.48
02/01/2008	1,726,186.38	1,740,187.92	1,880,441.47	2,270,252.63	2,251,307.94
08/01/2008	1,776,160.07	1,790,653.99	1,935,069.59	2,336,203.93	2,316,708.66
02/01/2009	1,827,580.52	1,842,583.59	1,991,284.69	2,404,071.12	2,384,009.28
08/01/2009	1,880,489.60	1,896,019.17	2,049,132.88	2,473,909.87	2,453,264.99
02/01/2010	1,934,930.43	1,951,004.40	2,108,661.60	2,545,777.45	2,524,532.59
08/01/2010	1,990,947.33	2,007,584.23	2,169,919.68	2,619,732.80	2,597,870.51
02/01/2011	2,048,585.94	2,065,804.89	2,232,957.34	2,695,836.57	2,673,338.91
08/01/2011	2,107,893.21	2,125,713.96	2,297,826.29	2,774,151.16	2,750,999.68
02/01/2012	2,168,917.45	2,187,360.43	2,364,579.72	2,854,740.82	2,830,916.50
08/01/2012	2,231,708.36	2,250,794.66	2,433,272.39	2,937,671.61	2,913,154.91
02/01/2013	2,296,317.08	2,316,068.51	2,503,960.63	3,023,011.56	2,997,782.35
08/01/2013	2,362,796.25	2,383,235.32	2,576,702.41	3,110,830.66	3,084,868.23
02/01/2014	2,431,200.02	2,452,349.99	2,651,557.39	3,201,200.92	3,174,483.97
08/01/2014	2,501,584.10	2,523,469.02	2,728,586.96	3,294,196.45	3,266,703.05
02/01/2015	2,574,005.82	2,596,650.52	2,807,854.29	3,389,893.52	3,361,601.10
08/01/2015	2,648,524.18	2,671,954.31	2,889,424.39	3,488,370.61	3,459,255.95
02/01/2016	2,725,199.87	2,749,441.94	2,973,364.16	3,589,708.48	3,559,747.69
08/01/2016	2,804,095.35	2,829,176.73	3,059,742.44	3,693,990.24	3,663,158.72
02/01/2017	2,885,274.88	2,911,223.86	3,148,630.06	3,801,301.40	3,769,573.85
08/01/2017	2,968,804.58	2,995,650.39	3,240,099.93	3,911,729.97	3,879,080.35
02/01/2018	3,054,752.50	3,082,525.32	3,334,227.07	4,025,366.52	3,991,768.03
08/01/2018	3,143,188.64	3,171,919.66	3,431,088.66	4,142,304.22	4,107,729.29
02/01/2019	3,234,185.03	3,263,906.46	3,530,764.15	4,262,639.00	4,227,059.24
08/01/2019	3,327,815.80	3,358,560.91	3,633,335.28	4,386,469.52	4,349,855.74
02/01/2020	3,424,157.22	3,455,960.37	3,738,886.17	4,513,897.34	4,476,219.49
08/01/2020	3,523,287.75	3,556,184.46	3,847,503.39	4,645,026.97	4,606,254.12
02/01/2021	3,625,288.15	3,659,315.07	3,959,276.01	4,779,965.94	4,740,066.27
08/01/2021	3,730,241.49	3,765,436.51	4,074,295.71	4,918,824.92	4,877,765.67
02/01/2022	3,838,233.27	3,874,635.51	4,192,656.80	5,061,717.77	5,019,465.26
08/01/2022	3,949,351.45	3,987,001.33	4,314,456.37	5,208,761.69	5,165,281.23
02/01/2023	4,063,686.54	4,102,625.79	4,439,794.30	5,360,077.27	5,315,333.17
08/01/2023	4,181,331.67	4,221,603.40	4,568,773.38	5,515,788.60	5,469,744.14
02/01/2024	4,302,382.66	4,344,031.40	4,701,499.40	5,676,023.37	5,628,640.76
08/01/2024	4,426,938.12	4,470,009.86	4,838,081.19	5,840,912.99	5,792,153.34
02/01/2025	4,555,099.51	4,599,641.74	4,978,630.78	6,010,592.69	5,960,415.98
08/01/2025	4,686,971.21	4,733,032.99	5,123,263.44	6,185,201.62	6,133,566.67
02/01/2026	4,822,660.65	4,870,292.63	5,272,097.77	6,364,882.98	6,311,747.40
08/01/2026	4,962,278.34	5,011,532.85	5,425,255.84	6,549,784.11	6,495,104.30
02/01/2027	5,105,938.01	5,156,869.09	5,582,863.26	6,740,056.66	6,683,787.73
08/01/2027	5,253,756.67	5,306,420.14	5,745,049.28	6,935,856.67	6,877,952.44
02/01/2028	5,405,854.74	5,460,308.21	5,911,946.92	7,137,344.70	7,077,757.66
08/01/2028	5,562,356.10	5,618,659.10	6,083,693.05	7,344,686.00	7,283,367.23
02/01/2029	5,723,388.23	5,781,602.21	6,260,428.52	7,558,050.61	7,494,949.78
08/01/2029	5,889,082.30	5,949,270.74	6,442,298.28	7,777,613.51	7,712,678.83
02/01/2030	6,059,573.26	6,121,801.71	6,629,451.49	8,003,554.75	7,936,732.93
08/01/2030	6,235,000.00	6,299,336.14	6,822,041.62	8,236,059.63	8,167,295.83
02/01/2031	-	6,482,019.13	7,020,226.63	8,475,318.82	8,404,556.60
08/01/2031	-	6,670,000.00	7,224,169.04	8,721,528.54	8,648,709.81
02/01/2032	-	-	7,434,036.13	8,974,890.70	8,899,955.71
08/01/2032	-	-	7,650,000.00	9,235,613.09	9,158,500.32
02/01/2033	-	-	-	9,503,909.51	9,424,555.68
08/01/2033	-	-	-	9,780,000.00	9,698,339.98
02/01/2034	-	-	-	-	9,980,077.73
08/01/2034	-	-	-	-	10,270,000.00

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## **APPENDIX E**

### **SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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

## **Municipal Bond New Issue Insurance Policy**

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

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

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

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

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



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

## **Municipal Bond New Issue Insurance Policy**

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

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

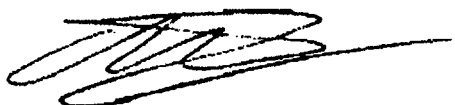


**President**

**Effective Date:**

**Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.



**Authorized Officer**



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

**Endorsement**  
**To Financial Guaranty Insurance Company**  
**Insurance Policy**

---

**Policy Number:**

**Control Number:** 0010001

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It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**



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

## Endorsement

To Financial Guaranty Insurance Company  
Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond maturing on \_\_\_\_\_, the amount insured under this Policy is that portion of the accrued value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

U.S. Bank Trust National Association, as Fiscal Agent





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

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

**Policy Number:**

**Control Number:** 0010001

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

**SPECIMEN**  
NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer  
U.S. Bank Trust National Association, as Fiscal Agent**



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

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

**Policy Number:**

**Control Number:** 0010001

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

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

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

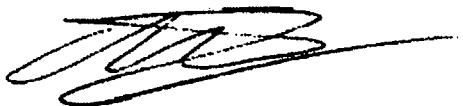


**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**



**Authorized Officer  
U.S. Bank Trust National Association, as Fiscal Agent**

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