

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
Richmond, California

FINANCIAL STATEMENTS
June 30, 2013

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

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WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Contra Costa Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise West Contra Costa Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Contra Costa Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for West Contra Costa Unified School District's fiscal year ended June 30, 2014, with earlier application being encouraged. West Contra Costa Unified School District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position at July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 14 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 60 and 61 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Contra Costa Unified School District's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of West Contra Costa Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Contra Costa Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2013

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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Bruce Harter, Ph.D.
Superintendent of Schools

Sheri Gamba
Associate Superintendent
Business Services

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

Management's discussion and analysis of West Contra Costa Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements.

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

FINANCIAL AND EDUCATIONAL HIGHLIGHTS

The District's financial position has stabilized over the past year. The net position of the District as of June 2013 is \$202,490,983 as compared to the June 2012 restated net position, \$203,049,575 – a net decline of \$558,592.

The 2012-13 financial statements cap off another year of uncertainty as it relates to the State and National economy. However with the passage of Proposition 30 in the November of 2012, and the commitment from the State of California to reduce the deferrals the District was able to avoid inter-fund or external borrowing for cash. In spite of the improvement the District was still owed over \$24 million in unrestricted general fund dollars at the end of the year.

The District prepares for the 2013-14 school year with a sense of hope for the new Local Control Funding Formula (LCFF), which promises an eight year implementation that will bring the District increased revenues, and an ability to better serve our neediest students. The landmark legislation is being shepherded in over the course of 2013-14 with new budget, community engagement and activity accountability provisions. The District has tackled the difficult task of managing a budget in order to remain solvent during tough times, now it will tackle the new LCFF with equal resolve for success.

REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Assets and the Statement of Activities

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

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

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

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

The District-wide financial statements can be found on pages 14 through 15 of this report.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

The District has three kinds of funds:

Governmental Funds

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

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

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

Proprietary Funds

The proprietary fund category includes Internal Service Funds.

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

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

Fiduciary Funds

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

THE DISTRICT AS A WHOLE

Net Assets – The District's combined net position was lower on June 30, 2013 than it was the year before—decreasing by \$0.6 million to \$202.5 million as reflected on the next page.

Net Position

	GOVERNMENTAL ACTIVITIES	
	<u>2013</u>	<u>2012</u>
Current Assets	\$ 216,749,190	\$ 304,687,783
Capital Assets	<u>1,029,566,611</u>	<u>971,032,972</u>
Total Assets	<u>1,246,315,801</u>	<u>1,275,720,755</u>
 Deferred Outflows		
Deferred loss on refunding	<u>3,005,267</u>	<u>0</u>
 Current Liabilities		
	34,323,115	52,541,526
Long-term Liabilities	<u>1,012,506,970</u>	<u>1,009,279,010</u>
Total Liabilities	<u>1,046,830,085</u>	<u>1,061,820,536</u>
 Net Position:		
Net Investment in Capital Assets, net of related debt	174,254,001	134,455,424
 Restricted For:		
Capital Projects	17,899,950	50,488,711
Debt Service	48,126,375	47,714,715
Educational Programs	21,983,898	26,055,436
Other Purposes	8,936,696	8,811,871
Unrestricted	(68,709,937)	(53,625,938)
Effect of change in accounting principal		<u>(10,850,644)</u>
Total Net Position	<u>\$ 202,490,983</u>	<u>\$ 203,049,575</u>

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

- Through the bond program, together with State apportionments for school facilities, the District has continued construction of new schools and has continued the process of renovating its existing schools. These activities have increased the capital assets of the District.
- The Board was able to increase District reserves and now maintains \$11.7 million in the Districts Special Reserve Fund, these dollars were set aside as insurance toward potential cuts during the economic downturn.
- The District's pay off of the State loan in 2012 and the payoff of other long term debt from the 1990's, released the District from the oversight of a State Trustee. This is year-end closing marks the one year anniversary of the pay-off and highlights the Board's commitment to ongoing fiscal responsibility.

Changes in Net Position – The District’s total expenditures exceeded its revenue by \$0.6 million. Property taxes, State Aid and other general sources accounted for most of the District’s revenues contributing approximately 66 cents per every dollar of revenue received while Federal, State and local grants and contributions for specific purposes provided approximately 34 cents of every dollar of revenue.

	GOVERNMENTAL ACTIVITIES	
	2013	2012
Revenues:		
Program revenues:		
Charges for Services	\$ 961,324	\$ 1,018,569
Operating Grants and Contributions	81,148,964	90,954,406
Capital Grants and Contributions	19,021,544	15,847,349
Total Program Revenues	101,131,832	107,820,324
General Revenues:		
Property Taxes	130,734,829	128,963,108
Federal and State Aid	118,672,377	124,022,794
Interest and Investment Earnings	512,567	706,458
Interagency revenues:		
Miscellaneous	5,024,888	4,366,687
Total General Revenues	254,944,661	258,059,047
Total Revenues	356,076,493	365,879,371
Expenses:		
Instruction	164,357,143	166,712,977
Support Services:		
Administrative	43,109,309	43,025,262
Student Support	43,410,992	41,317,106
Non-Student Support	19,206,508	16,304,857
Plant Services	32,965,110	30,790,480
Ancillary Services	7,167,818	7,829,975
Transfers between agencies	1,124,895	2,802,547
Community Services	166,195	155,465
Interest on long-term debt	45,127,115	37,650,021
Total Expenses	356,635,085	346,588,690
Change in Net Position	\$ (58,592)	\$ 19,290,681

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 \$356.6 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 \$101.1 million. The balance of the District's expenditures was paid for by State apportionments for ADA and by local property taxes. Property taxes comprised of \$130,734,829 of this amount while Federal and State education aid formulas contributed the remaining \$118,672,377.

	Total Cost	Net (Expense) Revenue	Total Cost	Net (Expense) Revenue
	2013	2013	2012	2012
Instruction	\$ 164,357,143	\$ (108,912,961)	\$ 166,712,977	\$ (106,595,668)
Support Services	105,726,809	(66,633,643)	100,647,225	(60,184,844)
Facilities and Plant	32,965,110	(31,635,568)	30,790,480	(29,400,850)
Ancillary Services	7,167,818	(1,904,475)	7,829,975	(2,269,491)
Other	46,418,205	(46,416,606)	40,608,033	(40,317,513)
Total	\$ 356,635,085	\$ (255,503,253)	\$ 346,588,690	\$ (238,768,366)

THE DISTRICT'S FUNDS

The financial position of the District as a whole is reflected in its governmental fund statements. As the District completed the year, its governmental funds reported a combined fund balance of \$188 million, below last year's combined ending fund balance of \$249 million. This decrease is due to activities in the District's Building Fund.

General Fund Budgetary Highlights

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

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

The final revised general fund budget of the District reflected anticipated revenues of \$262.7 million against appropriated expenditures of \$290 million thus anticipating a decrease of \$27.3 million in overall fund balance. This variance is due to potential expenditure of prior year restricted grant fund balances and spending some of the special reserve fund balance.

Actual revenues were less than anticipated and actual expenditures were also less than anticipated. The combination of these variances resulted in a higher million than projected ending fund balance, the majority of the variance occurred due to restricted fund (grant related) items.

Summary of Revenues for Governmental Function

The following schedule represents a summary of the general operating fund, special revenue fund, capital projects fund and debt service fund revenues for the fiscal year ended June 30, 2013, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

	2013	Percent of	Increase (Decrease) From Prior	Percent Increase (Decrease) From
	Fiscal Year	Total	Fiscal Year	Prior Fiscal Year
Revenue Limit Sources	\$ 149,957,871	42%	\$ 2,111,616	1.43%
Federal	42,786,953	12%	(7,990,462)	(15.74)%
Other State	84,878,249	24%	(2,480,298)	(2.84)%
Other Local	77,077,224	22%	(3,985,141)	(4.92)%
Total Revenues	\$ 354,700,297	100%	\$ (12,344,285)	(3.36)%

The following schedule represents a summary of the general operating fund, special revenue fund, capital projects fund, and bond interest & redemption fund expenditures for the fiscal year ended June 30, 2013, and the increase and decrease (in amount and percentage) in relations to prior year amounts.

Summary of Expenditures by Object Code

	2013	Percent of	Increase (Decrease) From Prior	Percent Increase (Decrease) From
	Fiscal Year	Total	Fiscal Year	Prior Fiscal Year
Certificated salaries	\$ 107,725,336	25.93%	\$ (1,435,965)	(1.31)%
Classified salaries	48,672,103	11.71%	739,990	1.54%
Employee benefits	64,730,699	15.58%	227,902	0.35%
Books and supplies	17,773,286	4.28%	(3,654,001)	(17.05)%
Services, other operation expenses	53,550,400	12.89%	1,101,669	2.10%
Capital outlay	68,563,281	16.50%	(23,144,277)	(25.24)%
Debt service:				
Principal	20,567,536	4.95%	(6,789,550)	(24.81)%
Interest	33,844,863	8.15%	1,547,709	4.79%
Other outgo	59,293	0.01%	29,676	100.20%
Total Expenditures	\$ 415,486,797	100%	\$ (31,376,847)	(7.02)%

CAPITAL ASSET AND DEBT ADMINISTRATION

By June 30, 2013, the District had invested \$1.3 billion in a broad range of capital assets including land, school buildings, athletic facilities, computer and audio-visual equipment as well as support facilities as reflected in the following table. Additional information about the capital assets of the District can also be found in footnote 4. Total depreciation expense for the year was \$20.5 million while additions to net capital assets amounted to approximately \$58.5 million.

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

Capital Assets

	<u>Governmental Activities</u>			Balance, June 30, 2013
	Balance, July 1, 2012	Additions	Reductions	
Governmental activities:				
Land	\$ 52,371,291	\$ -	-	\$ 52,371,291
Site Improvements	61,980,429	4,122,896	-	66,103,325
Buildings	803,589,807	86,809,096	-	890,398,893
Machinery and Equipment	13,993,750	3,090,991	(1,692,147)	15,392,604
Construction In Progress	303,721,265	76,921,186	(98,771,833)	281,870,618
Totals at historical cost	<u>1,235,656,542</u>	<u>80,012,177</u>	<u>(100,463,980)</u>	<u>1,306,136,731</u>
Less: accumulated depreciation				
Site Improvements	(41,046,185)	(1,544,223)	(775,248)	(41,815,160)
Buildings	(216,049,750)	(17,579,749)	(6,513,548)	(227,115,951)
Machinery and Equipment	<u>(7,527,635)</u>	<u>(1,361,703)</u>	<u>(1,250,329)</u>	<u>(7,639,009)</u>
Total accumulated depreciation	<u>(264,623,570)</u>	<u>(20,485,675)</u>	<u>(8,539,125)</u>	<u>(276,570,120)</u>
Governmental activities, capital Assets, Net	<u>\$ 971,032,972</u>	<u>\$ 59,526,502</u>	<u>\$ (992,863)</u>	<u>\$ 1,029,566,611</u>

Long-Term Liabilities

In recent years the District has received approval from the voters to issue \$1.63 billion in bonds. Measure E was approved for \$40 million in November 1998 to fund various capital improvement projects and to construct a new middle school. Measure M in the amount of \$150 million was approved in November 2000 to renovate the elementary schools of the District. Measure D was approved in March 2002 to renovate the secondary schools of the District as well as provide additional funds to supplement Measure M. This measure is in the amount of \$300 million. Measure J was approved for \$400 million in November 2005 to continue repairing all school facilities, improve classroom safety and technology. Measure D was approved for \$380 million in 2010 and Measure E was approved for \$360 million in November 2012 and will be used toward the continued renovation and rebuilding program for elementary and secondary schools. The District will continue to sell and issue bonds authorized by these measures in amounts necessary to meet the cash flow needs of the construction projects as they progress over the next several years.

Long-Term Liabilities (continued)

At year end the District had \$1,012.5 million in general obligation bonds and other long-term liabilities outstanding, an increase over the prior year of \$3.2 million.

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

	<u>Governmental Activities</u>				
	Balance			Amounts	
	July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
General Obligation Bonds	\$ 821,578,849	\$ 98,200,000	\$ 124,348,713	\$ 795,430,136	\$ 20,282,206
Accreted Interest	60,762,662	15,269,291	-	76,031,953	1,427,794
GO Bond Premium	25,353,204	10,180,869	1,947,702	33,586,371	-
1994 Certificates of Participation	8,415,000	-	500,000	7,915,000	525,000
Compensated absences	3,422,127	341,601	-	3,763,728	-
OPEB Obligation	89,718,345	23,087,931	17,026,494	95,779,782	17,814,962
Child care facilities loan	28,823	-	28,823	-	-
	<hr/>				
Total Long-term liabilities	\$ 1,009,279,010	\$ 147,079,692	\$ 143,851,732	\$ 1,012,506,970	\$ 40,049,962

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 four waivers of this limit by the California State Board of Education, one for Measure D 2002, one for Measure J 2005, one for Measure D 2010 and one for Measure E 2012. These waivers allow the District to issue bonds up to an amount not to exceed 3.5% of assessed value for the 2002 Measure D and 2005 Measure J and 5.0% of assessed value for the Measure D 2010 and Measure E 2012 bond authorizations.

Notes to Basic Financial Statements

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of California has a renewed commitment to fund school districts through the LCFF. The State Budget for 2013-14 includes increased revenue for the District based upon its student population. The District is expecting increased revenue over the 8 year implementation period of the LCFF. The State's economy must continue to grow in order to achieve the funding levels anticipated in the program. The passage of Proposition 30 has helped mitigate the cash flow concerns and provide stability to the District's revenue.

BASIC FINANCIAL STATEMENTS

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 173,033,520
Receivables	42,868,678
Stores inventory	846,992
Non-depreciable capital assets (Note 4)	334,241,909
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>695,324,702</u>
Total assets	<u>1,246,315,801</u>
DEFERRED OUTFLOWS	
Deferred loss from refunding of debt	<u>3,005,267</u>
LIABILITIES	
Accounts payable	32,918,181
Unpaid claims and claim adjustment expenses (Note 5)	500,000
Unearned revenue	904,934
Long-term liabilities (Note 6):	
Due within one year	40,049,962
Due after one year	<u>972,457,008</u>
Total liabilities	<u>1,046,830,085</u>
NET POSITION	
Net investment in capital assets	173,088,892
Restricted (Note 7)	98,112,028
Unrestricted	<u>(68,709,937)</u>
Total net position	<u>\$ 202,490,983</u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental activities (Note 4):					
Instruction	\$ 164,357,143	\$ -	\$ 36,422,638	\$ 19,021,544	(108,912,961)
Instruction-related services:					
Supervision of instruction	22,024,218	-	12,660,998	-	(9,363,220)
Instructional library, media and technology	3,264,576	-	442,565	-	(2,822,011)
School site administration	17,820,515	-	253,966	-	(17,566,549)
Pupil services:					
Home-to-school transportation	8,320,531	-	2,033,685	-	(6,286,846)
Food services	14,485,873	918,674	12,870,864	-	(696,335)
All other pupil services	20,604,588	-	8,264,232	-	(12,340,356)
General administration:					
Data processing	5,324,932	-	158,376	-	(5,166,556)
All other general administration	13,881,576	31,853	1,457,953	-	(12,391,770)
Plant services	32,965,110	10,797	1,318,745	-	(31,635,568)
Ancillary services	7,167,818	-	5,263,343	-	(1,904,475)
Community services	166,195	-	1,599	-	(164,596)
Other outgo	1,124,895	-	-	-	(1,124,895)
Interest on long-term liabilities	45,127,115	-	-	-	(45,127,115)
	<u>\$ 356,635,085</u>	<u>\$ 961,324</u>	<u>\$ 81,148,964</u>	<u>\$ 19,021,544</u>	<u>\$ (255,503,253)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					64,376,754
Taxes levied for debt service					50,515,963
Taxes levied for other specific purposes					15,842,112
Federal and state aid not restricted to specific purposes					118,672,377
Interest and investment earnings					512,567
Miscellaneous					5,024,888
					<u>254,944,661</u>
					<u>(558,592)</u>
					213,900,219
					<u>(10,850,644)</u>
					<u>203,049,575</u>
					<u>\$ 202,490,983</u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 26,956,843	\$ 60,748,258	\$ 48,106,428	\$ 22,338,214	\$ 158,149,743
Cash awaiting deposit	-	-	-	750	750
Cash on hand and in banks	22,591	-	-	21,186	43,777
Cash in revolving fund	70,000	-	-	-	70,000
Cash with Fiscal Agent	-	6,120,512	-	1,042,373	7,162,885
Local Agency Investment Fund	931,982	1,507,313	-	1,168,335	3,607,630
Receivables	38,991,154	29,723	19,947	3,825,624	42,866,448
Stores inventory	<u>234,001</u>	<u>-</u>	<u>-</u>	<u>612,991</u>	<u>846,992</u>
Total assets	<u>\$ 67,206,571</u>	<u>\$ 68,405,806</u>	<u>\$ 48,126,375</u>	<u>\$ 29,009,473</u>	<u>\$ 212,748,225</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 9,664,874	\$ 12,962,438	\$ -	\$ 1,270,465	\$ 23,897,777
Unearned revenue	<u>511,999</u>	<u>-</u>	<u>-</u>	<u>392,935</u>	<u>904,934</u>
Total liabilities	<u>10,176,873</u>	<u>12,962,438</u>	<u>-</u>	<u>1,663,400</u>	<u>24,802,711</u>
Fund balances:					
Nonspendable	304,001	-	-	612,991	916,992
Restricted	21,983,898	55,443,368	48,126,375	26,733,082	152,286,723
Assigned	13,039,725	-	-	-	13,039,725
Unassigned	<u>21,702,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,702,074</u>
Total fund balances	<u>57,029,698</u>	<u>55,443,368</u>	<u>48,126,375</u>	<u>27,346,073</u>	<u>187,945,514</u>
Total liabilities and fund balances	<u>\$ 67,206,571</u>	<u>\$ 68,405,806</u>	<u>\$ 48,126,375</u>	<u>\$ 29,009,473</u>	<u>\$ 212,748,225</u>

See accompanying notes to financial statements.

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

June 30, 2013

Total fund balances - Governmental Funds		\$ 187,945,514
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,306,136,731 and the accumulated depreciation is \$276,570,120 (Note 4).		
		1,029,566,611
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2013 consisted of (Note 6):		
General Obligation Bonds	\$ (795,430,136)	
Premium on General Obligation Bonds	(33,586,371)	
Accreted interest	(76,031,953)	
Certificates of Participation	(7,915,000)	
Other Postemployment Benefits (OPEB) (Note 9)	(95,779,782)	
Compensated absences	<u>(3,763,728)</u>	
		(1,012,506,970)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position of the Self-Insurance Fund is:		
		1,698,615
In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		
		(7,218,054)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt (Note 6).		
		<u>3,005,267</u>
Total net position - governmental activities		<u>\$ 202,490,983</u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 88,565,509	\$ -	\$ -	\$ -	\$ 88,565,509
Local sources	<u>61,392,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,392,362</u>
Total revenue limit	<u>149,957,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,957,871</u>
Federal sources	25,624,711	-	3,947,748	13,214,494	42,786,953
Other state sources	60,899,441	454,852	603,384	22,920,572	84,878,249
Other local sources	<u>22,115,028</u>	<u>950,292</u>	<u>50,036,406</u>	<u>3,975,498</u>	<u>77,077,224</u>
Total revenues	<u>258,597,051</u>	<u>1,405,144</u>	<u>54,587,538</u>	<u>40,110,564</u>	<u>354,700,297</u>
Expenditures:					
Certificated salaries	105,317,911	-	-	2,407,425	107,725,336
Classified salaries	41,534,667	1,063,870	-	6,073,566	48,672,103
Employee benefits	61,417,931	413,708	-	2,899,060	64,730,699
Books and supplies	9,380,887	1,933,832	-	6,458,567	17,773,286
Contract services and operating expenditures	45,764,340	5,675,052	-	2,111,008	53,550,400
Capital outlay	532,720	42,843,303	-	25,187,258	68,563,281
Other outgo	59,293	-	-	-	59,293
Debt service:					
Principal retirement	500,000	-	20,038,713	28,823	20,567,536
Interest	<u>628,071</u>	<u>-</u>	<u>33,216,792</u>	<u>-</u>	<u>33,844,863</u>
Total expenditures	<u>265,135,820</u>	<u>51,929,765</u>	<u>53,255,505</u>	<u>45,165,707</u>	<u>415,486,797</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(6,538,769)</u>	<u>(50,524,621)</u>	<u>1,332,033</u>	<u>(5,055,143)</u>	<u>(60,786,500)</u>
Other financing sources (uses):					
Proceeds from issuance of general obligation bonds	-	-	98,200,000	-	98,200,000
Refunding of general obligation bonds	-	-	(104,310,000)	-	(104,310,000)
Other proceeds from debt issuance	-	-	10,180,869	-	10,180,869
Other financing uses	-	-	(4,070,869)	-	(4,070,869)
Operating transfers in	2,449,781	-	-	1,945,654	4,395,435
Operating transfers out	<u>(1,815,654)</u>	<u>-</u>	<u>-</u>	<u>(2,579,781)</u>	<u>(4,395,435)</u>
Total other financing sources (uses)	<u>634,127</u>	<u>-</u>	<u>-</u>	<u>(634,127)</u>	<u>-</u>
Net changes in fund balances	(5,904,642)	(50,524,621)	1,332,033	(5,689,270)	(60,786,500)
Fund balances, July 1, 2012	<u>62,934,340</u>	<u>105,967,989</u>	<u>46,794,342</u>	<u>33,035,343</u>	<u>248,732,014</u>
Fund balances, June 30, 2013	<u>\$ 57,029,698</u>	<u>\$ 55,443,368</u>	<u>\$ 48,126,375</u>	<u>\$ 27,346,073</u>	<u>\$ 187,945,514</u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

For the Year Ended June 30, 2013

Net changes in fund balances - Total Governmental Funds \$ (60,786,500)

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

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4). \$ 80,012,177

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (20,485,675)

Gain or loss from disposal of capital assets are reported as revenue for entire proceeds in the governmental funds, but in the statement of activities, only the resulting gain or loss is reported (Note 4). (992,863)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as revenue in the period it is incurred. In government-wide statements, the premium or discount is amortized as interest over the life of the debt (Note 6). (8,233,167)

Repayment or refunding of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6). 124,877,536

Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt (Note 6). 3,005,267

In governmental funds, proceeds from debt are recognized as Other Financing Sources, but in the statement of net position as an increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were (Note 6). (98,200,000)

In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. 2,039,337

Accreted interest on capital appreciation bonds is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 6). (15,269,291)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. Change in net position for the Self-Insurance Fund was. (122,375)

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

(Continued)

For the Year Ended June 30, 2013

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

\$ (6,061,437)

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

(341,601) \$ 60,227,908

Change in net position of governmental activities

\$ (558,592)

See accompanying notes to financial statements.

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

June 30, 2013

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 3,996,777
Cash with Fiscal Agent	1,958
Receivables	<u>2,230</u>
Total assets	<u>4,000,965</u>

LIABILITIES

Accounts payable	1,802,350
Unpaid claims and claim adjustment expenses	<u>500,000</u>
Total liabilities	<u>2,302,350</u>

NET POSITION

Restricted	<u><u>\$ 1,698,615</u></u>
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See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND

For the Year Ended June 30, 2013

Operating revenues:		
Self-insurance premiums		<u>\$ 1,755,100</u>
Operating expenses:		
Classified Salaries	74,988	
Employee Benefits	37,155	
Books and supplies	755	
Contract services	<u>1,768,918</u>	
Total operating expenses		<u>1,881,816</u>
Operating loss		(126,716)
Non-operating revenue:		
Interest income		<u>4,341</u>
Change in net position		(122,375)
Total net position, July 1, 2012		<u>1,820,990</u>
Total net position, June 30, 2013		<u><u>\$ 1,698,615</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 1,755,100
Cash paid for salaries and benefits	(112,143)
Cash paid for books and supplies	(755)
Cash paid for contract services	(422,694)
Cash paid for claims	<u>(1,290,881)</u>
Net cash used in operating activities	(71,373)
Cash flows provided by non-capital financing activities:	
Cash received from agency fund to provide for premium payments	<u>1,715,957</u>
Cash flows provided by investing activities:	
Interest income received	<u>2,111</u>
Increase in cash and investments	1,646,695
Cash and investments, July 1, 2012	<u>2,352,040</u>
Cash and investments, June 30, 2013	<u><u>\$ 3,998,735</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (126,716)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts payable	<u>55,343</u>
Net cash used in operating activities	<u><u>\$ (71,373)</u></u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

TRUST AND AGENCY FUNDS

June 30, 2013

	<u>Trust Fund</u>	<u>Agency Funds</u>		
	<u>Retiree Benefits Trust</u>	<u>Payroll Clearing Fund</u>	<u>Student Body Funds</u>	<u>Total</u>
ASSETS				
Cash in County Treasury (Note 2)	\$ 6,683,851	\$ 1,433,430	\$ -	\$ 8,117,281
Cash on hand and in banks (Note 2)	-	-	948,325	948,325
Investments (Note 2)	7,196,979	-	-	7,196,979
Receivables	<u>7,294</u>	<u>47,888</u>	<u>-</u>	<u>55,182</u>
Total assets	<u>13,888,124</u>	<u>1,481,318</u>	<u>948,325</u>	<u>16,317,767</u>
LIABILITIES				
Accounts payable	14,541	1,481,318	-	1,495,859
Due to student groups	<u>-</u>	<u>-</u>	<u>948,325</u>	<u>948,325</u>
Total liabilities	<u>14,541</u>	<u>1,481,318</u>	<u>948,325</u>	<u>2,444,184</u>
NET POSITION				
Held in trust for retiree benefits (Note 7)	<u>\$ 13,873,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,873,583</u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
RETIREE BENEFITS TRUST FUND
For the Year Ended June 30, 2013

Revenues:		
Other local sources		\$ 19,102,132
Expenditures:		
Contract services and operating expenditures (Note 9)		<u>18,048,424</u>
Change in net position		1,053,708
Net position, July 1, 2012		<u>12,819,875</u>
Net position, June 30, 2013		<u><u>\$ 13,873,583</u></u>

See accompanying notes to financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Accordingly, for the year ended June 30, 2013, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the Corporation Debt Service Fund. COPs issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Major Funds

1. General Fund:

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

2. Building Fund:

The Building Fund is used to account for resources used for the acquisition of capital facilities by the District.

3. Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds (Continued)

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

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

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

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

Basis of Accounting

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

Accrual

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

Modified Accrual

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

Receivables

Receivables are made up principally of amounts due from the State of California for Revenue Limit funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2013.

Stores Inventory

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

Cafeteria Food Purchases

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

Capital Assets

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

Compensated Absences

Compensated absences totaling \$3,763,728 are recorded as a liability of the District. The liability is for the earned but unused benefits.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave

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

Unearned Revenue

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

Restricted Net Position

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

Fund Balance Classifications

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

A - Nonspendable Fund Balance:

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2013, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2013, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2013, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

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

Encumbrances

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

Eliminations and Reclassifications

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

Estimates

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis— for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on financial statements of the District.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation of Statement No. 65 the District's July 1, 2012 net position was restated by \$10,850,644 because bond issuance costs were no longer capitalized. In addition, the District recorded a deferred outflow due to the loss on refunding debt of \$3,005,267.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on the District's financial statements.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2013 consisted of the following:

	Governmental Activities			Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$158,149,743	\$ 3,996,777	\$162,146,520	\$ 8,117,281
Cash awaiting deposit	750	-	750	-
Deposits:				
Cash on hand and in banks	43,777	-	43,777	948,325
Cash in revolving fund	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>
Total pooled funds and deposits	<u>158,264,270</u>	<u>3,996,777</u>	<u>162,261,047</u>	<u>9,065,606</u>
Investments:				
Cash with Fiscal Agent	7,162,885	1,958	7,164,843	-
Local Agency Investment Fund	<u>3,607,630</u>	<u>-</u>	<u>3,607,630</u>	<u>7,196,979</u>
Total investments	<u>10,770,515</u>	<u>1,958</u>	<u>10,772,473</u>	<u>7,196,979</u>
Total	<u>\$169,034,785</u>	<u>\$ 3,998,735</u>	<u>\$173,033,520</u>	<u>\$ 16,262,585</u>

Pooled Funds

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

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

In accordance with applicable state laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2013, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts was \$1,062,102, and the bank balances were \$1,157,374. Of the bank balances, \$849,463 was uninsured but collateralized.

Cash with Fiscal Agent

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

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

Local Agency Investment Fund

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

At June 30, 2013, there were no outstanding interfund receivable or payable balances.

Interfund Transfers

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

Interfund transfers for the 2012-2013 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund to cover the cost of operations for the Adult Education program.	\$ 1,815,654
Transfer from the Special Reserve for Capital Outlay Projects Fund to Child Development Fund for reimbursement of lost portables.	130,000
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	46
Transfer from the Child Development Fund to the General Fund for indirect cost support.	60,739
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	466,412
Transfer from the Deferred Maintenance Fund to the General Fund for Tier III flexibility provisions of SBX3 4.	1,000,000
Transfer from the Debt Service Fund to the General Fund to partially cover Certificates of Participation payments.	<u>922,584</u>
	<u>\$ 4,395,435</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	Balance July 1, <u>2012</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2013</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 52,371,291	\$ -	\$ -	\$ 52,371,291
Work-in-process	303,721,265	76,921,186	(98,771,833)	281,870,618
Depreciable:				
Buildings	803,589,797	-	86,809,096	890,398,893
Site improvements	61,980,429	-	4,122,896	66,103,325
Equipment	<u>13,993,760</u>	<u>3,090,991</u>	<u>(1,692,147)</u>	<u>15,392,604</u>
Totals, at cost	<u>1,235,656,542</u>	<u>80,012,177</u>	<u>(9,531,988)</u>	<u>1,306,136,731</u>
Less accumulated depreciation:				
Buildings	(216,049,750)	(17,579,749)	(6,513,548)	(227,115,951)
Site improvements	(41,046,185)	(1,544,223)	(775,248)	(41,815,160)
Equipment	<u>(7,527,635)</u>	<u>(1,361,703)</u>	<u>(1,250,329)</u>	<u>(7,639,009)</u>
Total accumulated depreciation	<u>(264,623,570)</u>	<u>(20,485,675)</u>	<u>(8,539,125)</u>	<u>(276,570,120)</u>
Capital assets, net	<u>\$ 971,032,972</u>	<u>\$ 59,526,502</u>	<u>\$ (992,863)</u>	<u>\$1,029,566,611</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,136,299
Supervision of instruction	1,527,421
Instructional library, media and technology	224,903
School site administration	1,122,273
Home to school transportation	558,248
Food services	950,104
All other pupil services	1,265,898
Ancillary services	522,938
Community services	10,383
All other general administration	840,123
Centralized data processing	266,428
Plant services	<u>2,060,657</u>
Total depreciation expense	<u>\$ 20,485,675</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. SELF-INSURANCE CLAIMS

The District is self-insured for property and liability claims. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for the payment of claims. For the year ended June 30, 2013, the District provides coverage up to a maximum of \$100,000 for each property or liability claim. The District participates in a joint powers authority for claims in excess of coverage provided by the Fund (Note 10).

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

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

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

	June 30, <u>2013</u>	June 30, <u>2012</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 500,000	\$ 500,000
Total incurred claims and claim adjustment expenses	1,290,881	708,587
Total payments	<u>(1,290,881)</u>	<u>(708,587)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 500,000</u>	<u>\$ 500,000</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES

General Obligation Bonds

The District's General Obligation Bonds are issued under separate authorizations which were approved by voters of the District over the past several years. As of June 30, 2013, the Measures with outstanding balances and their respective election year include Measure E of 1998, Measure M of 2000, Measure D of 2002, Measure J of 2005, and Measure D of 2010. Proceeds from the Bonds are being used to improve, construct or refurbish the District's schools.

<u>Bond</u>	<u>Interest Rate %</u>	<u>Date of Issuance</u>	<u>Maturity Date August 1,</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
Measure E, Refunding Series A	4.15% - 5.7%	2001	2025	\$ 28,610,000	\$ 18,495,000	\$ -	\$ 1,160,000	\$ 17,335,000
Measure E, Refunding Series B	4.3% - 6.0%	2001	2024	10,255,000	6,810,000	-	395,000	6,415,000
Measure M, Series C	2.5% - 5.0%	2003	2012	95,000,000	43,115,000	-	43,115,000	-
Measure D, Series A	4.25% - 7.0%	2002	2012	30,000,000	11,515,000	-	11,515,000	-
Measure D, Series B	4.1% - 5.0%	2003	2012	100,000,000	40,460,000	-	40,460,000	-
Measure D, Series C, Current Interest	4.0% - 5.0%	2004	2034	40,000,000	35,625,000	-	10,080,000	25,545,000
Measure D, Series C, Capital Appreciation	2.4% - 5.8%	2004	2034	29,999,377	28,179,129	-	656,115	27,523,014
Measure D, Series D, Capital Appreciation	3.15% - 5.05%	2006	2034	99,998,106	93,145,012	-	2,327,598	90,817,414
Measure J, Series A	4.0% - 5.0%	2006	2035	70,000,000	61,280,000	-	-	61,280,000
Measure J, Series B	5.0% - 6.0%	2009	2035	120,000,000	115,025,000	-	-	115,025,000
Measure J, Series C1	6.24% - 12.0%	2010	2033	52,084,759	52,084,759	-	-	52,084,759
Measure J, Series C2	8.46%	2010	2034	52,825,000	52,825,000	-	-	52,825,000
2009 Refunding	3.0% - 5.38%	2010	2031	57,860,000	49,955,000	-	3,600,000	46,355,000
Measure J, Series D1	6.56%	2010	2024	25,000,000	25,000,000	-	-	25,000,000
Measure J, Series D2	6.80% - 6.81%	2010	2036	2,499,949	2,499,949	-	-	2,499,949
2011 Refunding	3.0% - 5.25%	2011	2024	85,565,000	85,565,000	-	4,425,000	81,140,000
2010 Measure D, Series A	3.0% - 5.0%	2011	2041	79,000,000	79,000,000	-	6,615,000	72,385,000
2010 Measure D, Series A-1	3.0% - 5.0%	2011	2030	21,000,000	21,000,000	-	-	21,000,000
2012 Refunding	3.0% - 5.25%	2012	2032	98,200,000	-	98,200,000	-	98,200,000
				<u>\$ 1,097,897,191</u>	<u>\$ 821,578,849</u>	<u>\$ 98,200,000</u>	<u>\$ 124,348,713</u>	<u>\$ 795,430,136</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2001 Refunding Measure E, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,225,000	\$ 953,335	\$ 2,178,335
2015	1,295,000	890,880	2,185,880
2016	1,355,000	823,560	2,178,560
2017	1,435,000	751,653	2,186,653
2018	1,520,000	674,901	2,194,901
2019-2023	9,010,000	2,010,136	11,020,136
2024-2026	<u>1,495,000</u>	<u>130,381</u>	<u>1,625,381</u>
	<u>\$ 17,335,000</u>	<u>\$ 6,234,846</u>	<u>\$ 23,569,846</u>

The annual requirements to amortize the 2001 Refunding Measure E, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 425,000	\$ 378,785	\$ 803,785
2015	445,000	355,855	800,855
2016	475,000	331,400	806,400
2017	500,000	303,000	803,000
2018	535,000	272,850	807,850
2019-2023	3,220,000	840,450	4,060,450
2024-2025	<u>815,000</u>	<u>48,900</u>	<u>863,900</u>
	<u>\$ 6,415,000</u>	<u>\$ 2,531,240</u>	<u>\$ 8,946,240</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2005 Measure D, Series C, Current Interest General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 905,000	\$ 1,211,935	\$ 2,116,935
2015	-	1,193,835	1,193,835
2016	-	1,193,835	1,193,835
2017	1,035,000	1,172,618	2,207,618
2018	1,085,000	1,128,344	2,213,344
2019-2023	3,575,000	4,981,319	8,556,319
2024-2028	3,480,000	4,564,500	8,044,500
2029-2033	10,455,000	2,613,625	13,068,625
2034-2035	<u>5,010,000</u>	<u>253,750</u>	<u>5,263,750</u>
	<u>\$ 25,545,000</u>	<u>\$ 18,313,761</u>	<u>\$ 43,858,761</u>

The annual requirements to amortize the 2005 Measure D, Series C, Capital Appreciation General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 739,473	\$ 475,527	\$ 1,215,000
2015	814,828	600,172	1,415,000
2016	882,657	737,343	1,620,000
2017	948,557	891,443	1,840,000
2018	731,640	768,360	1,500,000
2019-2023	5,182,913	7,527,087	12,710,000
2024-2028	6,789,918	15,005,082	21,795,000
2029-2033	7,510,192	24,299,808	31,810,000
2034-2035	<u>3,922,836</u>	<u>16,127,164</u>	<u>20,050,000</u>
	<u>\$ 27,523,014</u>	<u>\$ 66,431,986</u>	<u>\$ 93,955,000</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2006 Measure D, Series D, Capital Appreciation General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,527,733	\$ 952,267	\$ 3,480,000
2015	2,719,715	1,215,285	3,935,000
2016	2,904,482	1,520,519	4,425,001
2017	3,054,074	1,880,926	4,935,000
2018	3,818,039	2,706,962	6,525,001
2019-2023	19,584,695	19,805,305	39,390,000
2024-2028	20,998,966	34,586,034	55,585,000
2029-2033	23,600,021	57,309,979	80,910,000
2034-2035	<u>11,609,689</u>	<u>35,925,309</u>	<u>47,534,998</u>
	<u>\$ 90,817,414</u>	<u>\$ 155,902,586</u>	<u>\$ 246,720,000</u>

The annual requirements to amortize the 2006 Measure J, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 545,000	\$ 2,948,103	\$ 3,493,103
2015	1,710,000	2,903,003	4,613,003
2016	1,775,000	2,832,415	4,607,415
2017	1,850,000	2,757,871	4,607,871
2018	1,920,000	2,678,915	4,598,915
2019-2023	10,900,000	12,001,548	22,901,548
2024-2028	13,530,000	9,013,000	22,543,000
2029-2033	16,910,000	5,225,000	22,135,000
2034-2036	<u>12,140,000</u>	<u>928,750</u>	<u>13,068,750</u>
	<u>\$ 61,280,000</u>	<u>\$ 41,288,605</u>	<u>\$ 102,568,605</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2009 Measure J, Series B, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 6,656,375	\$ 6,656,375
2015	-	6,656,375	6,656,375
2016	1,225,000	6,625,750	7,850,750
2017	1,900,000	6,538,125	8,438,125
2018	1,600,000	6,433,125	8,033,125
2019-2023	12,700,000	30,194,625	42,894,625
2024-2028	28,200,000	24,449,625	52,649,625
2029-2033	33,000,000	14,413,688	47,413,688
2034-2036	<u>36,400,000</u>	<u>3,622,500</u>	<u>40,022,500</u>
	<u>\$ 115,025,000</u>	<u>\$ 105,590,188</u>	<u>\$ 220,615,188</u>

The annual requirements to amortize the 2010 Measure J, Series C1, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 324,003	\$ 400,997	\$ 725,000
2018	821,333	1,243,667	2,065,000
2019-2023	11,116,614	19,003,386	30,120,000
2024-2029	13,398,919	27,886,081	41,285,000
2030-2033	25,356,107	85,293,893	110,650,000
2034	<u>1,067,783</u>	<u>4,917,217</u>	<u>5,985,000</u>
	<u>\$ 52,084,759</u>	<u>\$ 138,745,241</u>	<u>\$ 190,830,000</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2010 Measure J, Series C2, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 4,468,995	\$ 4,468,995
2015	-	4,468,995	4,468,995
2016	-	4,468,995	4,468,995
2017	-	4,468,995	4,468,995
2018	-	4,468,995	4,468,995
2019-2023	-	22,344,975	22,344,975
2024-2028	-	22,344,975	22,344,975
2029-2033	-	22,344,975	22,344,975
2034-2035	<u>52,825,000</u>	<u>4,935,353</u>	<u>57,760,353</u>
	<u>\$ 52,825,000</u>	<u>\$ 94,315,253</u>	<u>\$ 147,140,253</u>

The annual requirements to amortize the 2009 General Obligation Refunding Bonds outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,575,000	\$ 1,878,331	\$ 6,453,331
2015	5,120,000	1,690,656	6,810,656
2016	7,070,000	1,457,256	8,527,256
2017	8,505,000	1,154,163	9,659,163
2018	10,950,000	740,619	11,690,619
2019-2023	2,895,000	2,197,094	5,092,094
2024-2028	3,610,000	1,449,816	5,059,816
2029-2032	<u>3,630,000</u>	<u>400,681</u>	<u>4,030,681</u>
	<u>\$ 46,355,000</u>	<u>\$ 10,968,616</u>	<u>\$ 57,323,616</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2010 Measure J, Series D1, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 286,250	\$ 286,250
2015	-	286,250	286,250
2016	-	286,250	286,250
2017	-	286,250	286,250
2018	-	286,250	286,250
2019-2023	3,180,000	1,413,045	4,593,045
2024-2025	<u>21,820,000</u>	<u>250,068</u>	<u>22,070,068</u>
	<u>\$ 25,000,000</u>	<u>\$ 3,094,363</u>	<u>\$ 28,094,363</u>

The annual requirements to amortize the 2010 Measure J, Series D2, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2034-2037	<u>\$ 2,499,949</u>	<u>\$ 31,320,051</u>	<u>\$ 33,820,000</u>

The annual requirements to amortize the 2011 Refunding General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,800,000	\$ 3,814,913	\$ 7,614,913
2015	6,285,000	3,595,838	9,880,838
2016	6,150,000	3,320,913	9,470,913
2017	5,900,000	3,060,263	8,960,263
2018	5,110,000	2,814,913	7,924,913
2019-2023	39,515,000	8,837,804	48,352,804
2024-2025	<u>14,380,000</u>	<u>662,550</u>	<u>15,042,550</u>
	<u>\$ 81,140,000</u>	<u>\$ 26,107,194</u>	<u>\$ 107,247,194</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2010 Measure D, Series A, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,540,000	\$ 3,544,000	\$ 9,084,000
2015	-	3,460,900	3,460,900
2016	-	3,460,900	3,460,900
2017	-	3,460,900	3,460,900
2018	-	3,460,900	3,460,900
2019-2023	850,000	17,246,500	18,096,500
2024-2028	2,470,000	16,840,019	19,310,019
2029-2033	9,890,000	15,729,838	25,619,838
2034-2038	25,280,000	10,840,888	36,120,888
2039-2042	<u>28,355,000</u>	<u>3,070,569</u>	<u>31,425,569</u>
	<u>\$ 72,385,000</u>	<u>\$ 81,115,414</u>	<u>\$ 153,500,414</u>

The annual requirements to amortize the 2010 Measure D, Series A-1, General Obligation Bonds Payable, outstanding as of June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 281,400	\$ 281,400
2015	-	281,400	281,400
2016	-	281,400	281,400
2017	-	281,400	281,400
2018	-	281,400	281,400
2019-2023	-	1,407,000	1,407,000
2024-2028	-	1,407,000	1,407,000
2029-2031	<u>21,000,000</u>	<u>703,500</u>	<u>21,703,500</u>
	<u>\$ 21,000,000</u>	<u>\$ 4,924,500</u>	<u>\$ 25,924,500</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize the 2012 General Obligation Refunding Bonds Payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 4,882,000	\$ 4,882,000
2015	-	4,882,000	4,882,000
2016	-	4,882,000	4,882,000
2017	-	4,882,000	4,882,000
2018	-	4,882,000	4,882,000
2019-2023	2,690,000	24,293,750	26,983,750
2024-2028	37,745,000	20,304,625	58,049,625
2029-2033	<u>57,765,000</u>	<u>7,303,375</u>	<u>65,068,375</u>
	<u>\$ 98,200,000</u>	<u>\$ 76,311,750</u>	<u>\$ 174,511,750</u>

The bonds which were refunded by the 2012 General Obligation Refunding Bonds are considered defeased and are longer included as a liability of the District. At June 30, 2013, the outstanding balance of the defeased bonds was \$104,310,000.

Although the 2012 refundings resulted in the recognition of an accounting loss of \$3,005,267 for the year ended June 30, 2013, the District in effect decreased its aggregate debt service payments by \$12.5 million over the next twenty-one years, and the District obtained an economic gain of \$9.5 million.

Calculation of the difference in cash flow requirements and economic loss are as follows:

Old debt service cash flows	\$ 189,783,044
New debt service cash flows	<u>177,237,533</u>
Cash flow difference	<u>\$ 12,545,511</u>
Present value of old debt cash flows	\$ 122,309,456
Present value of new debt cash flows	<u>112,798,055</u>
Economic gain	<u>\$ 9,511,401</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

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

Scheduled payments for the COPs are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 525,000	\$ 400,867	\$ 925,867
2015	555,000	375,352	930,352
2016	585,000	348,157	933,157
2017	605,000	318,731	923,731
2018	635,000	288,300	923,300
2019-2023	3,715,000	923,720	4,638,720
2024	<u>1,295,000</u>	<u>66,690</u>	<u>1,361,690</u>
	<u>\$ 7,915,000</u>	<u>\$ 2,721,817</u>	<u>\$ 10,636,817</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2013 is shown below:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 821,578,849	\$ 98,200,000	\$ 124,348,713	\$ 795,430,136	\$ 20,282,206
General Obligation Bonds Premium	25,353,204	10,180,869	1,947,702	33,586,371	-
Accreted interest	60,762,662	15,269,291	-	76,031,953	1,427,794
Certificates of Participation	8,415,000	-	500,000	7,915,000	525,000
Child care facilities loan	28,823	-	28,823	-	-
OPEB obligation (Note 9)	89,718,345	23,087,931	17,026,494	95,779,782	17,814,962
Compensated absences	<u>3,422,127</u>	<u>341,601</u>	<u>-</u>	<u>3,763,728</u>	<u>-</u>
Total	<u>\$1,009,279,010</u>	<u>\$ 147,079,692</u>	<u>\$ 143,851,732</u>	<u>\$1,012,506,970</u>	<u>\$ 40,049,962</u>

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2013:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Restricted for unspent categorical program revenues	\$ 21,983,898	\$ -
Restricted for future payment of self-insured claims	1,698,615	-
Restricted for special revenues	7,238,081	-
Restricted for capital projects	19,065,059	-
Restricted for debt service	48,126,375	-
Restricted for retiree benefits	<u>-</u>	<u>13,873,583</u>
 Total restricted net position	 <u>\$ 98,112,028</u>	 <u>\$ 13,873,583</u>

Fund balances, by category, at June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 70,000	\$ -	\$ -	\$ -	\$ 70,000
Stores Inventory	<u>234,001</u>	<u>-</u>	<u>-</u>	<u>612,991</u>	<u>846,992</u>
Subtotal nonspendable	<u>304,001</u>	<u>-</u>	<u>-</u>	<u>612,991</u>	<u>916,992</u>
Restricted:					
Unspent categorical revenues	21,983,898	-	-	-	21,983,898
Adult education	-	-	-	2,065,909	2,065,909
Child development	-	-	-	157,052	157,052
Food services	-	-	-	3,098,099	3,098,099
Deferred maintenance	-	-	-	1,304,030	1,304,030
Capital projects	-	55,443,368	-	19,065,059	74,508,427
Debt service	<u>-</u>	<u>-</u>	<u>48,126,375</u>	<u>1,042,933</u>	<u>49,169,308</u>
Subtotal restricted	<u>21,983,898</u>	<u>55,443,368</u>	<u>48,126,375</u>	<u>26,733,082</u>	<u>152,286,723</u>
Assigned:					
Tier III flexibility	11,669,725	-	-	-	11,669,725
UTR ratified agreement	<u>1,370,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,370,000</u>
Subtotal Assigned	<u>13,039,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,039,725</u>
Unassigned:					
Designated for economic uncertainty	7,992,728	-	-	-	7,992,728
Undesignated	<u>13,709,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,709,346</u>
Subtotal Unassigned	<u>21,702,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,702,074</u>
Total fund balances	<u>\$ 57,029,698</u>	<u>\$ 55,443,368</u>	<u>\$ 48,126,375</u>	<u>\$ 27,346,073</u>	<u>\$ 187,945,514</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$3,775,389, \$4,213,692 and \$4,523,452, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2011, 2012 and 2013 were \$8,409,803, \$8,544,399 and \$8,461,859, respectively, and equal 100% of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the District provides post-employment health benefits to all employees (1) hired prior to December 31, 2006 and who have attained five continuous years of service with the District (as defined by PERS/STRS); (2) are hired after January 1, 2007 and have attained ten continuous years of service with the District (as defined by PERS/STRS). Dental benefits are provided to employees who meet the rule of "75" (number of years worked plus age equals 75 or more) to qualify for post employment dental benefits. As of June 30, 2013, a total of 2,419 retirees met the health care benefit requirement.

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

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 23,367,100
Interest on net OPEB obligation	4,037,326
Adjustment to annual required contribution	<u>(4,316,495)</u>
Annual OPEB cost	23,087,931
Contributions made	<u>(17,026,494)</u>
Increase in net OPEB obligation	6,061,437
Net OPEB obligation - beginning of year	<u>89,718,345</u>
Net OPEB obligation - end of year	<u><u>\$ 95,779,782</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 23,606,113	28.1%	\$ 84,111,607
June 30, 2012	\$ 24,550,667	72.2%	\$ 89,718,345
June 30, 2013	\$ 23,087,931	24.1%	\$ 95,779,782

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial liability for benefits was \$364,528,416 and the actuarial value of assets was \$0, resulting in a unfunded actuarial accrued liability (UAAL) of \$364,528,416. However, the District has set aside \$13,873,583 in the Retiree Benefits Trust Fund for future payment of these benefits. No current employees are covered by the Plan. The OPEB plan is currently operated as a pay-as-you-go plan.

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

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 10 years. Both rates included a 3.25 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 25 years.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. JOINT POWERS AGREEMENTS

Contra Costa County Schools Insurance Group

The District is a member with other school districts of a Joint Powers Authority, Contra Costa County Schools Insurance Group (CCCSIG), for the operation of a common risk management and insurance program for workers' compensation coverage. The following is a summary of financial information for CCCSIG at June 30, 2013:

Total assets	\$ 93,655,160
Total liabilities	\$ 78,994,453
Total net position	\$ 14,660,707
Total revenues	\$ 42,123,990
Total expenses	\$ 42,145,080
Change in net position	\$ (21,090)

Northern California Regional Liability Excess Fund (Nor Cal Relief)

The District is a member with other agencies of a Joint Powers Authority, Northern California Regional Liability Excess Fund (Nor Cal Relief), for the operation of a common risk management and insurance program for property and liability coverage. The following is a summary of financial information for Nor Cal Relief at June 30, 2012 (most recent information available):

Total assets	\$ 63,057,995
Total liabilities	\$ 33,010,616
Total net assets	\$ 30,047,379
Total revenues	\$ 38,435,295
Total expenses	\$ 34,816,047
Change in net assets	\$ 3,619,248

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

11. CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2013, the District has approximately \$107,301,004 in outstanding commitments on construction contracts.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. SUBSEQUENT EVENTS

General Obligation Bonds

On October 31, 2013, the District issued Election of 2012, Series A General Obligation Bonds totaling \$85,000,000. The bonds were issued to finance the construction and upgrade of certain schools and other District facilities authorized by the 2012 Election. The Board of Supervisors of Contra Costa County is empowered and obligated to annually levy and collect ad valorem property taxes without limitation as to rate or amount on all taxable property in the District, for the repayment of interest, principal and premium, if any. The Bonds bear interest at rates ranging from 4.0% to 5.5% and are scheduled to mature through August 1, 2045.

On October 31, 2013, the District issued Election of 2010, Series B General Obligation Bonds totaling \$40,000,000. The bonds were issued to finance the construction and upgrade of certain schools and other District facilities authorized by the 2010 Election. The Board of Supervisors of Contra Costa County is empowered and obligated to annually levy and collect ad valorem property taxes without limitation as to rate or amount on all taxable property in the District, for the repayment of interest, principal and premium, if any. The Bonds bear interest at rates ranging from 2.0% to 5.5% and are scheduled to mature through August 1, 2045.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 92,664,668	\$ 88,946,661	\$ 88,565,509	\$ (381,152)
Local sources	<u>55,589,910</u>	<u>61,096,457</u>	<u>61,392,362</u>	<u>295,905</u>
Total revenue limit	<u>148,254,578</u>	<u>150,043,118</u>	<u>149,957,871</u>	<u>(85,247)</u>
Federal sources	25,780,824	31,663,584	25,624,711	(6,038,873)
Other state sources	56,493,658	59,036,192	60,899,441	1,863,249
Other local sources	<u>20,507,475</u>	<u>21,908,121</u>	<u>22,115,028</u>	<u>206,907</u>
Total revenues	<u>251,036,535</u>	<u>262,651,015</u>	<u>258,597,051</u>	<u>(4,053,964)</u>
Expenditures:				
Certificated salaries	102,999,261	107,512,461	105,317,911	2,194,550
Classified salaries	40,963,091	42,161,236	41,534,667	626,569
Employee benefits	62,107,767	63,442,953	61,417,931	2,025,022
Books and supplies	10,274,961	14,149,584	9,380,887	4,768,697
Contract services and operating expenditures	46,193,996	57,196,420	45,764,340	11,432,080
Capital outlay	3,869,298	4,510,381	532,720	3,977,661
Other outgo	50,000	102,572	59,293	43,279
Debt service:				
Principal retirement	500,000	500,000	500,000	-
Interest	<u>424,967</u>	<u>424,967</u>	<u>628,071</u>	<u>(203,104)</u>
Total expenditures	<u>267,383,341</u>	<u>290,000,574</u>	<u>265,135,820</u>	<u>24,864,754</u>
Deficiency of revenues under expenditures	<u>(16,346,806)</u>	<u>(27,349,559)</u>	<u>(6,538,769)</u>	<u>20,810,790</u>
Other financing sources (uses):				
Operating transfers in	3,538,442	3,479,785	2,449,781	(1,030,004)
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,815,654)</u>	<u>(1,815,654)</u>
Total other financing sources (uses)	<u>3,538,442</u>	<u>3,479,785</u>	<u>634,127</u>	<u>(2,845,658)</u>
Net change in fund balance	(12,808,364)	(23,869,774)	(5,904,642)	17,965,132
Fund balance, July 1, 2012	<u>62,934,340</u>	<u>62,934,340</u>	<u>62,934,340</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 50,125,976</u>	<u>\$ 39,064,566</u>	<u>\$ 57,029,698</u>	<u>\$ 17,965,132</u>

See accompanying notes to required supplementary information.

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

For the Year Ended June 30, 2013

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll*	UAAL as a Percentage of Covered Payroll*
6/30/2011	July 1, 2010	\$0	\$386 million	\$386 million	0%	\$0	0%
6/30/2012	July 1, 2010	\$0	\$386 million	\$386 million	0%	\$0	0%
6/30/2013	July 1, 2012	\$0	\$365 million	\$365 million	0%	\$0	0%

* No current employees are covered by the Plan.

See accompanying notes to required supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2013

	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>Corporation Debt Service Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS										
Cash in County Treasury	\$ 1,972,754	\$ 610,106	\$ 99,621	\$ 1,303,025	\$ 1,282,952	\$ 9,936,802	\$ 7,132,954	\$ -	\$ -	\$ 22,338,214
Cash awaiting deposit	-	-	750	-	-	-	-	-	-	750
Cash on hand and in banks	21,186	-	-	-	-	-	-	-	-	21,186
Cash with Fiscal Agent	-	-	-	-	-	-	-	1,042,373	-	1,042,373
Local Agency Investment Fund	3,226	-	-	-	1,165,109	-	-	-	-	1,168,335
Receivables	296,987	4,278	3,498,434	1,005	1,030	9,243	14,087	-	560	3,825,624
Stores inventory	-	-	612,991	-	-	-	-	-	-	612,991
Total assets	\$ 2,294,153	\$ 614,384	\$ 4,211,796	\$ 1,304,030	\$ 2,449,091	\$ 9,946,045	\$ 7,147,041	\$ 1,042,373	\$ 560	\$ 29,009,473
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 228,244	\$ 64,397	\$ 500,706	\$ -	\$ 6,477	\$ -	\$ 470,641	\$ -	\$ -	\$ 1,270,465
Unearned revenue	-	392,935	-	-	-	-	-	-	-	392,935
Total liabilities	228,244	457,332	500,706	-	6,477	-	470,641	-	-	1,663,400
Fund balances:										
Nonspendable	-	-	612,991	-	-	-	-	-	-	612,991
Restricted	2,065,909	157,052	3,098,099	1,304,030	2,442,614	9,946,045	6,676,400	1,042,373	560	26,733,082
Total fund balances	2,065,909	157,052	3,711,090	1,304,030	2,442,614	9,946,045	6,676,400	1,042,373	560	27,346,073
Total liabilities and fund balances	\$ 2,294,153	\$ 614,384	\$ 4,211,796	\$ 1,304,030	\$ 2,449,091	\$ 9,946,045	\$ 7,147,041	\$ 1,042,373	\$ 560	\$ 29,009,473

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Corporation Debt Service Fund	Debt Service Fund	Total
Revenues:										
Federal sources	\$ 364,091	\$ 457,811	\$ 12,392,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,214,494
Other state sources	324,771	1,658,698	883,570	1,090,587	-	18,962,946	-	-	-	22,920,572
Other local sources	<u>421,086</u>	<u>147,245</u>	<u>979,210</u>	<u>5,792</u>	<u>1,374,767</u>	<u>68,168</u>	<u>976,459</u>	<u>-</u>	<u>2,771</u>	<u>3,975,498</u>
Total revenues	<u>1,109,948</u>	<u>2,263,754</u>	<u>14,255,372</u>	<u>1,096,379</u>	<u>1,374,767</u>	<u>19,031,114</u>	<u>976,459</u>	<u>-</u>	<u>2,771</u>	<u>40,110,564</u>
Expenditures:										
Certificated salaries	1,430,646	976,779	-	-	-	-	-	-	-	2,407,425
Classified salaries	681,132	647,523	4,744,911	-	-	-	-	-	-	6,073,566
Employee benefits	497,168	586,522	1,815,370	-	-	-	-	-	-	2,899,060
Books and supplies	63,181	19,828	6,362,247	-	-	-	13,311	-	-	6,458,567
Contract services and operating expenditures	242,630	30,283	446,012	89,345	236,337	-	1,066,401	-	-	2,111,008
Capital outlay	-	-	234,310	-	5,773	24,946,405	770	-	-	25,187,258
Debt service:										
Principal retirement	<u>-</u>	<u>28,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,823</u>
Total expenditures	<u>2,914,757</u>	<u>2,289,758</u>	<u>13,602,850</u>	<u>89,345</u>	<u>242,110</u>	<u>24,946,405</u>	<u>1,080,482</u>	<u>-</u>	<u>-</u>	<u>45,165,707</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,804,809)</u>	<u>(26,004)</u>	<u>652,522</u>	<u>1,007,034</u>	<u>1,132,657</u>	<u>(5,915,291)</u>	<u>(104,023)</u>	<u>-</u>	<u>2,771</u>	<u>(5,055,143)</u>
Other financing sources (uses):										
Operating transfers in	1,815,654	130,000	-	-	-	-	-	-	-	1,945,654
Operating transfers out	<u>(46)</u>	<u>(60,739)</u>	<u>(466,412)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(130,000)</u>	<u>-</u>	<u>(922,584)</u>	<u>(2,579,781)</u>
Total other financing sources (uses)	<u>1,815,608</u>	<u>69,261</u>	<u>(466,412)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(130,000)</u>	<u>-</u>	<u>(922,584)</u>	<u>(167,715)</u>
Net change in fund balances	10,799	43,257	186,110	7,034	1,132,657	(5,915,291)	(234,023)	-	(919,813)	(5,689,270)
Fund balances, July 1, 2012	<u>2,055,110</u>	<u>113,795</u>	<u>3,524,980</u>	<u>1,296,996</u>	<u>1,309,957</u>	<u>15,861,336</u>	<u>6,910,423</u>	<u>1,042,373</u>	<u>920,373</u>	<u>33,035,343</u>
Fund balances, June 30, 2013	<u>\$ 2,065,909</u>	<u>\$ 157,052</u>	<u>\$ 3,711,090</u>	<u>\$ 1,304,030</u>	<u>2,442,614</u>	<u>\$ 9,946,045</u>	<u>\$ 6,676,400</u>	<u>\$ 1,042,373</u>	<u>\$ 560</u>	<u>\$ 27,346,073</u>

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2013

West Contra Costa Unified School District was established as the Richmond Unified School District on July 1, 1985, and, with the passage of AB 535, was renamed the West Contra Costa Unified School District on March 17, 1993. The District is comprised of an area of approximately 112 square miles located in Contra Costa County in the State of California. There were no changes in the boundaries of the District during the current year. The District is currently operating one special education pre-school, thirty four elementary, two kindergarten through eighth, six middle, one middle-college high and six high schools. The District also maintains two alternative high schools, an elementary community day school and a school for continuing adult education.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Madeline Kronenberg	President	December 3, 2014
Mr. Charles Ramsey	Clerk	December 3, 2014
Mr. Randall Enos	Member	December 2, 2016
Mr. Todd A Groves	Member	December 2, 2016
Ms. Elaine Merriweather	Member	December 3, 2014

ADMINISTRATION

Bruce Harter, Ph.D.
Superintendent of Schools

Wendell Greer
Associate Superintendent, K-12

William Fay
Associate Superintendent for Operations

Sheri Gamba
Associate Superintendent for Business Services

Nia Rashidchi
Assistant Superintendent of Educational Services

Kenneth Whittemore
Assistant Superintendent of Human Resources

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2013

	<u>Original Second Period Report</u>	<u>Audited* Second Period Report</u>	<u>Annual Report</u>
Elementary:			
Kindergarten	2,490	2,490	2,493
First through Third	7,059	7,059	7,050
Fourth through Eighth	9,964	9,964	9,947
Home and Hospital	11	11	13
Special Education	817	817	824
Non Public Schools	44	44	29
Community Day School	<u>8</u>	<u>8</u>	<u>9</u>
Total Elementary	<u>20,393</u>	<u>20,393</u>	<u>20,365</u>
Secondary:			
Regular Classes	6,678	6,678	6,622
Special Education	488	488	483
Compulsory Continuation Education	294	358	324
Community Day School	17	17	18
Home and Hospital	25	25	28
Non Public Schools	<u>78</u>	<u>78</u>	<u>48</u>
Total Secondary	<u>7,580</u>	<u>7,644</u>	<u>7,523</u>
	<u><u>27,973</u></u>	<u><u>28,037</u></u>	<u><u>27,888</u></u>

* Reflects revisions made by the District, based on an internal review of records.

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2013

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>							
Kindergarten	36,000	35,000	31,500	30,625	36,000	180	In Compliance
Grade 1	50,400	49,000	45,160	43,906	50,490	180	In Compliance
Grade 2	50,400	49,000	45,160	43,906	50,490	180	In Compliance
Grade 3	50,400	49,000	45,160	43,906	50,490	180	In Compliance
Grade 4	54,000	52,500	45,160	43,906	54,070	180	In Compliance
Grade 5	54,000	52,500	45,160	43,906	54,070	180	In Compliance
Grade 6	54,000	52,500	45,160	43,906	54,070	180	In Compliance
Grade 7	54,000	52,500	45,160	43,906	55,455	180	In Compliance
Grade 8	54,000	52,500	45,160	43,906	55,455	180	In Compliance
Grade 9	64,800	63,000	52,898	51,429	63,955	180	In Compliance
Grade 10	64,800	63,000	52,898	51,429	63,955	180	In Compliance
Grade 11	64,800	63,000	52,898	51,429	63,955	180	In Compliance
Grade 12	64,800	63,000	52,898	51,429	63,955	180	In Compliance

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	Special Education IDEA: Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	\$ 5,652,522
84.027	Special Education IDEA: Local Assistance Part B, Sec 611 Private School ISPs	10115	67,210
84.173A	Special Education - Alternative Dispute Resolution, Part B, Sec. 611	13007	5,690
84.027A	Special Education - State Performance Plan Facilitated Review	13693	17,095
84.027A	Special Education IDEA: Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	447,673
84.173A	Special Education IDEA: Preschool Staff Development, Part B, Sec. 619	13431	3,788
84.027A	Special Education IDEA: Mental Health Services, Part B, Sec. 611	14468	274,531
84.173	Special Education IDEA: Preschool Grant, Part B, Sec 619 (Age 3-4-5)	13430	<u>336,382</u>
	Subtotal Special Education Cluster		<u>6,804,891</u>
School Improvement Grants Cluster:			
84.377	NCLB: Title I, School Improvement Grant (SIG)	14971	3,512,933
84.388	NCLB: ARRA Title I, School Improvement Grant (SIG) for Elementary and Secondary	15020	<u>1,441,006</u>
	School Improvement Grants Cluster		<u>4,953,939</u>
Adult Education Programs:			
84.002A	Adult Education: Adult Basic Education and ESL	14508	272,480
84.002	Adult Education: Adult Secondary Education	13978	44,982
84.002A	Adult Education: English Literacy and Civics Education	14109	<u>45,266</u>
	Subtotal Adult Education Programs:		<u>362,728</u>
NCLB: Title III Programs:			
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	14346	1,192,745
84.365	NCLB: Title III, Immigrant Education Program	15146	<u>98,863</u>
	Subtotal NCLB: Title III Programs:		<u>1,291,608</u>

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	NCLB: Title IV Programs:		
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	\$ 1,210,965
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program High School Assets	14535	<u>54,588</u>
	Subtotal NCLB: Title IV Programs:		<u>1,265,553</u>
	Carl D Perkins Programs:		
84.048	Carl D. Perkins Career and Technical Education Secondary, Section 131 (Vocational Education)	14894	220,132
84.048	Carl D Perkins Career and Technical Education Adult, Section 132	14893	<u>1,363</u>
	Subtotal Carl D Perkins Programs:		<u>221,495</u>
	Fund for the Improvement of Education:		
84.215X	Teaching American History	10128	267,697
84.215E	Readiness and Emergency Management	14377	<u>205,064</u>
	Subtotal Fund for the Improvement of Education:		<u>472,761</u>
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	7,347,497
84.126	Department of Rehabilitation: Workability II Transitions Partnership Program	10006	210,176
84.181	Special Education IDEA: Early Intervention Grants, Part C	23761	83,664
84.184	Safe and Supportive Schools Programmatic Intervention (S3)	15164	674,901
84.196	NCLB: Title X, McKinney-Vento Homeless Assistance Grants	14332	69,142
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT)	14334	28,442
84.351C	Learning Without Borders	N/A	339,213
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	1,287,881
84.410	Education Jobs Fund (SB 847)	25152	<u>82,678</u>
	Total U.S. Department of Education		<u>25,496,569</u>

(Continued)

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Dept of Health Care Services: Medi-Cal Billing Option	10013	<u>718,468</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: School Programs	13391	11,687,273
10.559	Child Nutrition: Summer Food Service Program Operations	13004	<u>705,319</u>
	Subtotal Child Nutrition Cluster		<u>12,392,592</u>
	Total Federal Programs		<u>\$ 38,607,629</u>

See accompanying notes to supplementary information.

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

For the Year Ended June 30, 2013

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

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

**For the Year Ended June 30, 2013
(In Thousands)**

(UNAUDITED)

	(Budget)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 258,120	\$ 261,047	\$ 275,566	\$ 269,254
Expenditures	270,383	265,135	269,535	259,706
Other uses and transfers out	<u>-</u>	<u>1,816</u>	<u>-</u>	<u>-</u>
Total outgo	<u>270,383</u>	<u>266,951</u>	<u>269,535</u>	<u>259,706</u>
Change in fund balance	<u>\$ (12,263)</u>	<u>\$ (5,904)</u>	<u>\$ 6,031</u>	<u>\$ 9,548</u>
Ending fund balance	<u>\$ 44,767</u>	<u>\$ 57,030</u>	<u>\$ 62,934</u>	<u>\$ 56,903</u>
Available reserves	<u>\$ 19,785</u>	<u>\$ 21,702</u>	<u>\$ 22,173</u>	<u>\$ 18,071</u>
Designated for economic uncertainties	<u>\$ 8,091</u>	<u>\$ 7,993</u>	<u>\$ 8,169</u>	<u>\$ 7,860</u>
Undesignated fund balance	<u>\$ 11,694</u>	<u>\$ 13,709</u>	<u>\$ 14,004</u>	<u>\$ 10,211</u>
Available reserves as percentages of total outgo	<u>7.32%</u>	<u>5.14%</u>	<u>8.23%</u>	<u>6.96%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 972,457</u>	<u>\$ 1,012,507</u>	<u>\$ 1,009,279</u>	<u>\$ 918,349</u>
Average daily attendance at P-2 (not in thousands)	<u>27,971</u>	<u>28,037</u>	<u>27,598</u>	<u>27,589</u>

The General Fund fund balance has increased by \$9,675,000 over the past three years. The fiscal year 2013-2014 budget projects a decrease of \$12,263,000. For a district this size, the State of California requires available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred an operating deficit in the fiscal year 2012-2013, and anticipates incurring an operating deficit during the 2013-2014 fiscal year.

Total long-term liabilities have increased by \$94,158,000 over the past two years, due primarily to the issuance of General Obligation Bonds (See Note 6 to the financial statements).

Average daily attendance has increased by 448 over the past two years. The District anticipates a decrease of 66 ADA for the 2013-2014 fiscal year.

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2013

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

See accompanying notes to supplementary information.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2013.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 42,786,953
Less: Federal reimbursement of interest paid on Build America Bonds	N/A	(3,947,748)
Medi-Cal Billing Funds not spent	93.778	(231,576)
Total Schedule of Expenditure of Federal Awards		\$ 38,607,629

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2013-2014 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2013, the District did not adopt this program.

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

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

Report on Compliance with State Laws and Regulations

We have audited West Contra Costa Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2013.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, See below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, See below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, See below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, See below
Districts with only one school serving K-3	4	No, See below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, See below
Contemporaneous Records of Attendance, for charter schools	1	No, See below
Mode of Instruction, for charter schools	1	No, See below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, See below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, See below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, See below

The District is not a County Office of Education, therefore, we did not perform any procedures related to Instructional Time for County Offices of Education.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools, therefore, we did not perform any procedures related to Juvenile Court Schools.

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

The District does not operate a Before School program, therefore we did not perform any procedures related to After School Education and Safety-Before School.

The District does not have any Charter Schools, therefore, we did not perform any of the procedures required by Article 4 of the Audit Guide.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of West Contra Costa Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about West Contra Costa Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of West Contra Costa Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, West Contra Costa Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that West Contra Costa Unified School District had not complied with the state laws and regulations.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2013

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Contra Costa Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise West Contra Costa Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Contra Costa Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Contra Costa Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Contra Costa Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2013-01, that we consider to be significant deficiencies.

Compliance and Other Matters

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

West Contra Costa Unified School District's Response to Findings

West Contra Costa Unified School District's response to the finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. West Contra Costa Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited West Contra Costa Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of West Contra Costa Unified School District's major federal programs for the year ended June 30, 2013. West Contra Costa Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West Contra Costa Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Contra Costa Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of West Contra Costa Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, West Contra Costa Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2013

FINDINGS AND RECOMMENDATIONS

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.377, 84.388 84.367 84.184 10.555, 10.559	School Improvement Grants Cluster (Including ARRA) NCLB: Title II, Part A, Improving Teacher Quality Safe and Supportive Schools Programmatic Intervention Child Nutrition Cluster

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 1,158,229

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

STATE AWARDS

Type of auditor's report issued on compliance for
state programs: Unmodified

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-01 - SIGNIFICANT DEFICIENCY - ASSOCIATED STUDENT BODY (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

Richmond High School:

Checks are written without proper dual-signatures. There is no formal approval of revenue-producing activities by the student store. There is no formal documentation maintained for actions by the student council (i.e. minutes of meetings).

Lincoln Elementary:

There are no monthly reconciliations or financial statements prepared for the student account as the balances are not kept on any books. Checks are written without proper dual-signatures.

Portola Middle School:

There are no monthly reconciliations or financial statements prepared for the student account. Checks are written without proper dual-signatures.

Effect

There exists a risk that ASB funds could be misappropriated.

Cause

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

Fiscal Impact

Not determinable.

Recommendation

All sites:

- ASB should issue receipts for all cash received and maintain supporting documentation for the receipts, such as the revenue producing activity and name of the individual depositing the funds.
- All ASB disbursements should have two signers on the checks. At least one individual should be someone separate from the normal day to day activity in the ASB accounts (teacher or principal)
- Disbursements should be accompanied by support (vendor's invoices, receipts, purchase orders, approvals, etc.)
- Monthly bank reconciliations should be prepared and approved by two separate individuals (school secretary and principal) as evidenced by their dated signatures. The reconciliations should then be sent to the District for final review.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-01 - SIGNIFICANT DEFICIENCY - ASSOCIATED STUDENT BODY (30000) (Continued)

Corrective Action Plan

The District has developed an Associated Student Body Manual which has been distributed to all Secondary School Sites. The Manual contains processes and procedures regarding Fundraisers, Allowable Expenditures, Student Body Council Meetings, Collection of Funds, and Deposit of Funds. Management further plans to organize several in-service trainings, in addition to on-site visits throughout the remainder of the 2013-14 school year for sites at all levels. At the in-service trainings, management will discuss the manual in detail, and go over common errors found in the processes and procedures of student body funds.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2012-01	Partially Implemented.	See Current Year Finding 2013-01.
<p>Chavez Elementary School:</p> <ul style="list-style-type: none"> • Receipts are not used to document the receipt of funds by the student body accountant. • Checks for disbursement of funds require a single signer to approve the disbursement with no other means of approval documented. • Bank reconciliations could not be provided to evidence they had been prepared, and that an independent review of the reconciliation had been completed. <p>De Anza High School:</p> <ul style="list-style-type: none"> • Receipts are not used to document the receipt of funds by the student body accountant/secretary. • When receipts are given to the ASB accountant/secretary there is no sign-off by the depositor to indicate he or she agrees with the amount recorded as deposited. • There is no documentation of formal approval for revenue producing activities in the sample of transactions reviewed. • Bank reconciliations are not completed on a timely basis. <p>DeJean Middle School:</p> <ul style="list-style-type: none"> • Receipts are not used to document the receipt of funds by the student body accountant. • Cash count forms are not signed by the Office Manager or the Individual depositing the funds. • Funds received are not deposited into the Bank account in a timely manner. • Vendor invoices are not obtained for support in the cash disbursement cycle. • No record of approval over revenue producing activities is documented or retained. • Bank reconciliations are not completed on a timely basis. 		

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2012-01 (Continued)		
Gompers High School:		
<ul style="list-style-type: none"> • Bank reconciliations are not completed on a timely basis. 		
Bank Reconciliations:		
<ul style="list-style-type: none"> • Testing of associated student body cash balances as of June 30, 2012 indicate that nearly all bank reconciliations for the District's elementary sites had not been completed timely, or did not evidence review by an individual independent of the preparation. 		
<p>The internal control deficiencies at the site level and regarding proper and timely preparation and approval of bank reconciliations aggregate to a significant deficiency in internal controls over associate student body accounting.</p>		
All sites:		
<ul style="list-style-type: none"> • Receipts should be issued and signed by both the depositor and the ASB accountant/secretary as evidence that the funds were deposited and both parties agreed to the amount noted as turned in by the depositor. • Sites should maintain a log to track receipts books issued to clubs. All receipt books which have not been issued to a club should be stored in a safe which is maintained under dual control. • Funds received by the ASB accountant/secretary should be deposited to the bank account on a timely manner. For sites that do not experience a high volume of ASB activity, any funds received to the ASB office should deposited during the week received. 		

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2012-01 (Continued)		
<ul style="list-style-type: none"> • The District should develop and implement a process for ensuring that all revenue producing activities and expenditures are properly approved by all three relevant parties: Principal, ASB Advisor, and Student Representative (for an organized ASB). This approval should be evidenced by their signatures on a disbursement and/or fundraising approval form. Revenue producing activities should also include evidence of approval by the student government. • All disbursement checks should have two authorized signers required. At least one individual should be someone separate from the normal day to day activity in the ASB account. • All disbursements should be supported by a vendor invoice, receipt, or other supporting documentation. 		