

NEW ISSUE — BOOK ENTRY ONLY

RATING:
Standard & Poor's: "SP-1+"
(See "RATING" herein.)

In the opinion of Quint & Thimmig, LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS— Tax Matters" herein.

\$26,700,000
CONTRA COSTA COUNTY BOARD OF EDUCATION
(Contra Costa County, California)

2002 TAX AND REVENUE ANTICIPATION NOTES



Dated: Date of Delivery

Due: July 1, 2003

The Notes are issued by the Contra Costa County Board of Education, California (the "Board"). The principal amount of the Notes, together with the interest thereon, will be payable from taxes, revenue and other unrestricted moneys which are received by the Board, allocable to fiscal year 2002/03 which are generally available for the payment of current expenses and other obligations of the Board. As security for the payment of principal of and interest on the Notes, the Board has pledged to deposit in the Repayment Fund, as defined herein, at certain times prior to June 30, 2003, moneys sufficient to pay principal of, and interest on, the Notes at maturity. See "THE NOTES — Security for the Notes" and "— Available Sources of Repayment" herein.

The Notes are issued in denominations of \$1,000 or integral multiples thereof. All principal of, and all interest on, the Notes will be payable upon maturity (as described herein under "THE NOTES — Book-Entry System"). The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only. **The Notes are not subject to redemption prior to maturity.**

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

KELLING, NORTHCROSS & NOBRIGA
A Division of Zions First National Bank

Interest Rate
3.00%

Yield
1.60%

CUSIP
212 24E AF2

Pursuant to the terms of a public sale on Wednesday, June 5, 2002, the Notes were awarded to Banc of America Securities, LLC, as Underwriter, at a true interest cost of 1.66659%. The Notes will be offered when, as and if issued by the Board and received by the Underwriter, subject to the approval as to their legality by Quint & Thimmig, LLP, San Francisco, California, Bond Counsel. It is anticipated that the Notes in book-entry form will be available for delivery in New York, New York, for deposit with DTC on or about July 2, 2002.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Official Statement Date: June 5, 2002

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

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

The information set forth herein, other than that provided by the Board, has been obtained from sources which the Board believes to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE PRICES AND OTHER TERMS OF THE OFFERING AND SALE OF THE NOTES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH NOTES ARE RELEASED FOR SALE AND SUCH NOTES MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH NOTES INTO INVESTMENT ACCOUNTS, IN CONNECTION WITH THE OFFERING OF NOTES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES FOR SUCH NOTES AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

THE UNDERWRITERS HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

CONTRA COSTA COUNTY BOARD OF EDUCATION
(Contra Costa County, California)

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Cheryll A. LeMay Ed.D.
Vice President, Trustee, Area 2

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Clerk, Trustee, Area 3

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Superintendent

Ellen M. Elster
Deputy Superintendent

Ray Penning
Assistant Superintendent
Student Programs and Services

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

Kelling, Northcross & Nobriga
A Division of Zions First National Bank
Oakland, California

BOND COUNSEL

Quint & Thimmig, LLP
San Francisco, California

PAYING AGENT

Contra Costa County Office of the Treasurer
Martinez, California

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INTRODUCTION | 1 |
| The Board | 1 |
| Authority for Issuance of the Notes | 2 |
| Purpose of the Notes | 2 |
| Sources of Payment for the Notes | 2 |
| Description of the Notes | 2 |
| Tax Matters | 3 |
| Professionals Involved in the Offering | 3 |
| Offering and Delivery of the Notes | 3 |
| Other Information | 3 |
| THE NOTES | 3 |
| Authority for Issuance | 3 |
| Purpose of Issue | 4 |
| Description of the Notes | 4 |
| Security for the Notes | 5 |
| Available Sources of Repayment | 6 |
| Investment of Proceeds of the Notes and the Repayment Fund | 6 |
| Book-Entry System | 6 |
| Discontinuation of Book-Entry System; Payment to Beneficial Owners | 8 |
| CONSTITUTIONAL AND STATUTORY PROVISIONS | |
| AFFECTING BOARD AND DISTRICT | |
| REVENUES AND APPROPRIATIONS | 9 |
| Article XIII A | 9 |
| Article XIII B | 10 |
| Propositions 98 and 111 | 11 |
| Articles XIII C and XIII D | 12 |
| Future Initiatives | 13 |
| <i>AD VALOREM</i> PROPERTY TAXATION | 13 |
| County Services | 14 |
| Assessed Valuation | 14 |
| State-Assessed Utility Property | 15 |
| Tax Levies, Collections and Delinquencies | 15 |
| Teeter Plan | 16 |
| GENERAL EDUCATIONAL FUNDING INFORMATION | 16 |
| State Funding of School Districts | 16 |
| Basic Aid Districts | 17 |
| State Budget | 17 |
| Electric Power and Natural Gas | 18 |
| State Funding of School Construction | 19 |
| State Retirement Programs | 20 |
| County Office of Education | 20 |
| Budget Process | 21 |
| Accounting Practices | 22 |
| County Investment Pool | 22 |

| | |
|--|----|
| BOARD GENERAL INFORMATION | 23 |
| General Information | 23 |
| Average Daily Attendance and Revenue Limit | 24 |
| Employee Relations | 24 |
| Retirement Programs | 25 |
| BOARD TAX BASE INFORMATION | 25 |
| Assessed Valuation | 26 |
| Secured Tax Charges and Delinquencies | 26 |
| Largest Taxpayers | 27 |
| Statement of Direct and Overlapping Debt | 27 |
| BOARD AND DISTRICT FINANCIAL INFORMATION | 30 |
| Audit | 30 |
| Comparative Financial Statements | 30 |
| Contra Costa County Board of Education | 31 |
| Brentwood Union School District | 32 |
| John Swett Unified School District | 33 |
| Lafayette Elementary School District | 34 |
| Liberty Union High School District | 35 |
| Martinez Unified School District | 36 |
| Oakley Union School District | 37 |
| Pittsburg Unified School District | 38 |
| Estimated Monthly Cash Flows | 39 |
| Contra Costa County Board of Education | 40 |
| Brentwood Union School District | 41 |
| John Swett Unified School District | 42 |
| Lafayette Elementary School District | 43 |
| Liberty Union High School District | 44 |
| Martinez Unified School District | 45 |
| Oakley Union School District | 46 |
| Pittsburg Union School District | 47 |
| Debt Structure | 48 |
| Unrestricted Monies Available for Note Repayment | 49 |
| Other Available Funds | 49 |
| Availability of Documents | 50 |
| COUNTY ECONOMIC PROFILE | 50 |
| Introduction | 50 |
| Population | 51 |
| Employment | 51 |
| Major Employers | 53 |
| Construction Activity | 54 |
| Commercial Activity | 54 |
| Effective Buying Income | 55 |
| LEGAL MATTERS | 55 |
| Tax Matters | 55 |
| No Litigation | 56 |
| Legality for Investment in California | 56 |
| Legal Opinion | 56 |

| | |
|---|-----|
| MISCELLANEOUS | 57 |
| Rating | 57 |
| Underwriting | 57 |
| Closing Papers | 57 |
| Financial Advisor | 58 |
| Continuing Disclosure | 58 |
| Additional Information | 58 |
| | |
| APPENDIX A: FORM OF LEGAL OPINION | A-1 |
| APPENDIX B: FORM OF CONTINUING DISCLOSURE CERTIFICATE | B-1 |
| APPENDIX C: EXCERPTS FROM AUDITED FINANCIAL STATEMENTS | |
| JUNE 30, 2001 | C-1 |
| APPENDIX D: EXCERPTS FROM THE CONTRA COSTA COUNTY | |
| INVESTMENT PORTFOLIO REPORT | D-1 |

OFFICIAL STATEMENT

\$26,700,000

CONTRA COSTA COUNTY BOARD OF EDUCATION (Contra Costa County, California)

2002 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

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

This Official Statement, which includes the cover page, appendices hereto and this Introduction, is provided to furnish information concerning its proposed sale of Contra Costa County Board of Education, Contra Costa County, California, 2002 Tax and Revenue Anticipation Notes (the "Notes") in the principal amount of \$26,700,000. Proceeds will be distributed to individual districts as described herein, and summarized in the table below.

| <u>School District</u> | <u>Principal Amount</u> |
|---|-------------------------|
| Contra Costa Board of Education ("Board") | \$ 5,400,000 |
| Brentwood Union ("Brentwood") | 3,700,000 |
| John Swett Unified ("John Swett") | 1,300,000 |
| Lafayette Elementary ("Lafayette") | 2,100,000 |
| Liberty Union High ("Liberty") | 3,600,000 |
| Martinez Unified ("Martinez") | 4,500,000 |
| Oakley Union ("Oakley") | 2,300,000 |
| Pittsburg Unified ("Pittsburg") | <u>3,800,000</u> |
| | <u>\$26,700,000</u> |

The Board

Contra Costa County Board of Education (the "Board") provides educational services to residents in Contra Costa County (the "County"), California (the "State"). More detailed information regarding the area served by the Board, the student population of the Board, the tax base of the Board and the financial position of the Board may be found under "**BOARD GENERAL INFORMATION**", "**BOARD TAX BASE INFORMATION**" and "**BOARD AND DISTRICT FINANCIAL INFORMATION**" herein.

Authority for Issuance of the Notes

The Notes are by statute a general obligation of the Board issued pursuant to certain provisions of the California Government Code (the "Government Code") and pursuant to an authorizing resolution adopted by the Contra Costa County Board of Education (the "Board"). See "**THE NOTES — Authority for Issuance**" herein.

Purpose of the Notes

Proceeds of the Notes will be used and expended for any purpose for which the Board is authorized to expend funds from the general fund of the Board, including, but not limited to, current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the Board. See "**THE NOTES — Purpose of Issue**" herein.

Sources of Payment for the Notes

The principal amount of the Notes, together with interest thereon, will be payable from taxes, revenue and other moneys which are received by the Board allocable to fiscal year 2002/03 which are generally available for the payment of current expenses and other obligations of the Board ("Unrestricted Moneys"). As security for the payment of principal of and interest on an issue of Notes, the Board has pledged from Unrestricted Moneys certain Pledged Revenues, as defined herein, to be deposited in a Repayment Fund, as defined herein, at certain times prior to June 30, 2003. In the event of bankruptcy, the rights of Noteowners regarding the deposit of the Pledged Revenues into the Repayment Fund may be subject to the discretion of the bankruptcy court. See "**THE NOTES — Security for the Notes**" and "**— Available Sources of Repayment**" herein.

Description of the Notes

Denominations. Each issue of Notes will be issued in denominations of \$1,000 or any integral multiple thereof.

Registration, Transfers and Exchanges. The Notes will be issued in fully registered form, without coupons, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes and all transfers and exchanges will occur through book-entries made by DTC. See "**THE NOTES — Book-Entry System**" and "**— Discontinuation of Book-Entry System; Payment to Beneficial Owners**" herein.

Payments. All principal of, and all interest on, the Notes is payable at maturity; interest is payable from the date of delivery thereof, calculated on the basis of a 360-day year consisting of twelve 30-day months.

Redemption. The Notes are payable only at maturity thereof, and are not subject to redemption prior to maturity.

See "**THE NOTES — Description of the Notes**" herein.

Tax Matters

In the opinion of Quint & Thimmig, LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on certain corporations such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “**LEGAL MATTERS — Tax Matters**” herein.

Professionals Involved in the Offering

Kelling, Northcross & Nobriga, A Division of Zions First National Bank, is the financial advisor to each of the Districts and the Board with respect to the Notes. All proceedings in connection with the issuance of the Notes are subject to the approval of Quint & Thimmig LLP, bond counsel to each of the Districts and the Board with respect to the Notes. Both Kelling, Northcross & Nobriga and Quint & Thimmig LLP will receive compensation from each of the Districts and the Board contingent upon the sale and delivery of the Notes.

Offering and Delivery of the Notes

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bond Counsel. It is anticipated that the Notes in book-entry form will be available for delivery through DTC in New York, New York on or about July 2, 2002.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Business Office, Contra Costa County Office of Education, 77 Santa Barbara Road, Pleasant Hill, California 94523 telephone: (925) 942-3388. The Board may impose a charge for copying, mailing and handling. See also “**MISCELLANEOUS — Continuing Disclosure**” herein.

THE NOTES

Authority for Issuance

The Notes will be issued under the authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and pursuant to the a resolution adopted by the Board on May 15, 2002, authorizing the sale and issuance of the Notes (the “Resolution”).

The Board may, under existing law, issue the Notes only if the principal of and interest on the Notes will not exceed 85 percent of the estimated moneys legally available for the repayment of the Notes. The total 2002/03 Revenue Limit moneys the Board and the participating Districts will receive is estimated at \$178,372,638 and the total estimated General Fund revenue for fiscal year 2002/03, including carryover fund balances and Note proceeds, is approximately \$327,734,639. The Note coverage ratios for the total 2002/03 Revenue Limit moneys and the total General Fund revenue identified above are 6.49:1 and 11.92:1, respectively. See “**BOARD AND DISTRICT FINANCIAL INFORMATION — Unrestricted Monies Available for Note Repayment**” herein.

Purpose of Issue

Issuance of the Notes will provide moneys to meet fiscal year 2002/03 General Fund expenditures of the Board, including transfers to the Districts to provide temporary funding of their current general fund expenditures including certificated salaries, classified salaries, employee benefits, books, supplies, equipment replacement and contract services.

Pursuant to resolutions adopted by the respective districts listed below (collectively, the “Districts”), the Board will transfer principal amounts as listed below to the Districts in order to enable the respective Districts to provide for current expenses and capital expenditures during fiscal year 2002/03. The Board will retain the remaining principal amount of the Notes also listed below for its own needs.

| <u>School District</u> | <u>Principal Amount</u> |
|--|-------------------------|
| Contra Costa County Board of Education (“Board”) | \$5,400,000 |
| Brentwood Union (“Brentwood”) | 3,700,000 |
| John Swett Unified (“John Swett”) | 1,300,000 |
| Lafayette Elementary (“Lafayette”) | 2,100,000 |
| Liberty Union High (“Liberty”) | 3,600,000 |
| Martinez Unified (“Martinez”) | 4,500,000 |
| Oakley Union (“Oakley”) | 2,300,000 |
| Pittsburg Unified (“Pittsburg”) | 3,800,000 |

Description of the Notes

The Notes will be issued in book-entry form only in the aggregate principal amount of \$26,700,000 and will be issued without coupons, in minimum denominations of \$1,000. The Notes will be dated the date of delivery and will mature on July 1, 2003. The Notes will bear interest at the rate stated thereon, payable at maturity and computed on the basis of a 360-day year of twelve 30-day months. Principal and interest will be payable to The Depository Trust Company (“DTC”) in New York, New York as described below under the caption “**Book Entry Only System**”.

The Notes will not be subject to redemption prior to maturity.

Security for the Notes

No moneys will be disbursed to any District unless the Board shall have first received from such District an assignment of such District's first receipts of amounts to be received by the Board on behalf of such District in the months of January, 2003, April, 2003, and May, 2003, sufficient to repay such transfer and the interest thereon. Note proceeds received by the Board on behalf of the Districts shall be segregated solely for the repayment of the Notes until disbursed to a District as set forth above.

There will be created by the Board, a special fund to be designated the "2002 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund"). Any moneys placed in the Repayment Fund shall be for the benefit of the registered owners of the Notes and, until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied solely for the purposes for which the Repayment Fund is created; *provided, however*, that any interest earned on amounts deposited in the Repayment Fund shall periodically be allocated and transferred to the general funds of the Districts and the Board.

During the months of January, 2003, April, 2003 and May, 2003, the Board shall deposit all Pledged Revenues in the Repayment Fund. On July 1, 2003, the Board shall transfer to DTC the moneys in the Repayment Fund necessary to pay the principal of and interest on the Notes at maturity. DTC will thereupon make payments of principal and interest on the Notes to the DTC Participants (described below) who will thereupon make payments to the beneficial owners of the Notes. Any moneys remaining in the Repayment Fund after the Notes and the interest thereon have been paid, or provision for such payment has been made, shall be allocated and transferred to the general funds of the Districts and the Board. The monies in the Repayment Fund shall be invested according to Standard & Poor's investment criteria corresponding to the rating on the Notes.

Any money deposited in the Repayment Fund shall be used for repayment of the principal of and interest on the Notes and for no other purposes, except that such moneys may be invested as permitted by sections 53601 *et seq.* and 5920 *et seq.* of the Government Code of the State of California, as such section may be amended, modified or supplemented from time to time, and any earnings thereon shall be periodically transferred to the general funds of the Districts and the Board. At such time when the amount in the Repayment Fund is sufficient to pay all principal of and interest on the Notes at maturity, the Board shall not be required to make any further deposits therein, and any excesses may be withdrawn by the Board and applied for any lawful purpose.

The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues. To the extent not so paid from the Pledged Revenues, the Notes shall be paid from any other moneys of the Board lawfully available therefore. In the event that there are insufficient Unrestricted Moneys received by the Board to permit the deposit into the Repayment Fund (as hereinafter defined) of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the Board lawfully available for the repayment of the Notes and interest thereon.

The Board's power to levy property taxes to pay its obligations, including the Notes, is subject to certain constitutional and statutory limitations. (See "**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING BOARD AND DISTRICT REVENUES AND APPROPRIATIONS**" herein.)

Available Sources of Repayment

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, revenues and other moneys which are received by the Board for fiscal year 2002/03, including all moneys received by the Board on behalf of the Districts. As security for the payment of the principal and interest on the Notes, the Board has pledged (a) the first Unrestricted Moneys (as hereinafter defined) to be received by the Board in the amount of 50% of the principal amount of the Notes in the month of January, 2003, (b) the first Unrestricted Moneys to be received by the Board in the amount of 50% of the principal amount of the Notes in the month of April, 2003, and (c) the first Unrestricted Moneys to be received by the Board in the amount of 100% of the interest on the Notes, in the month of May, 2003 (such pledged amounts being hereinafter called the "Pledged Revenues"). The term "Unrestricted Moneys" shall mean taxes, income, revenue, cash receipts, and other moneys intended as receipts for the general fund of the Board for fiscal year 2002/03 and which are generally available for the payment of current expenses and other obligations of the Board. The term Unrestricted Moneys shall also specifically include all moneys received by the Board on behalf of the Districts.

A "Note Coverage Ratio" can be calculated for the Board and the participating Districts by dividing the estimated Unrestricted Monies available to pay principal of and interest on the Notes by the Unrestricted Monies required to pay principal of and interest on the Notes. See "**BOARD AND DISTRICT FINANCIAL INFORMATION — Unrestricted Monies Available for Note Repayment**" herein for further detail as to the estimated Unrestricted Monies and Note Coverage Ratio for the Board and the participating Districts.

Investment of Proceeds of the Notes and the Repayment Fund

Proceeds from the sale of the Notes will be deposited in the General Fund of the Board in the County treasury. The Paying Agent may invest the money in the General Fund and the Repayment Fund as permitted by the Resolution and the laws of the State of California.

Book-Entry System

The information in this section concerning DTC and DTC's book-entry system has been furnished by DTC for use in disclosure documents, and the Board takes no responsibility for the accuracy or completeness thereof. The Board cannot and does not give any assurances that DTC will distribute to Direct Participants, or that Direct Participants or Indirect Participants will distribute to the Beneficial Owners, payments of principal of, interest, and premium, if any, on the Notes paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Board nor the County nor the Paying Agent are responsible or liable for the failure of DTC or any Direct or Indirect Participant to make any payments or give any notice to a Beneficial Owner or any error or delay relating thereto. Accordingly, no representations can be made concerning these matters and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be

requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners

will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

Discontinuation of Book-Entry System; Payment to Beneficial Owners

Only in the event that the book-entry system described above is discontinued with respect to the Notes, provisions of the Resolution described below will govern the payment, transfer and exchange of the Notes.

Principal of the Notes and any premium upon the redemption thereof prior to the maturity will be payable upon presentation and surrender of the Notes at the principal corporate trust office of the Paying Agent as defined in the Resolution, or such other location as the Paying Agent may specify. Interest shall be paid by check to the owner of any Note at the address of such owner shown on the registration books of the Paying Agent, or at such other address the owner of the Note has filed with the Paying Agent for such purpose on or before the Record Date. Owners of not less than \$1,000,000 in principal amount of Notes may, by written request received by the Paying Agent not later than the Record Date prior to any Interest Payment Date, have interest payments made on the date due to an account maintained in the United States of America in immediately available funds.

Any Note may be exchanged for Notes of any authorized denominations upon presentation and surrender at the principal corporate trust office of the Paying Agent as defined in the Resolution, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Note may be transferred only on the Note registration books upon presentation and surrender of the Note at the principal corporate trust office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Note or Notes of any authorized denomination or denominations requested by the registered owner or by a person legally empowered to do so, equal in the aggregate to the unmatured principal amount of the Note surrendered and bearing interest at the same rate and maturing on the same date.

The Paying Agent will not be required to exchange or transfer any Note during the period from (a) the close of business on the applicable Record Date to and including the succeeding Interest Payment Date, or (b) the close of business on the date on which notice of redemption is given to and including the redemption date.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING BOARD AND DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Notes are payable solely from all taxes, revenues, income, cash receipts and other moneys of the Board and of the Districts for the payment thereof. (See "THE NOTES — Security for the Notes," "THE NOTES — Available Sources of Repayment" and "AD VALOREM PROPERTY TAXATION" herein.) Articles XIII A, XIII B, XIII C, and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Board and the Districts to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A

Article XIII A of the State constitution (the "Constitution") limits, subject to certain exceptions, the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment," subject to

exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of those voting in an election to impose *ad valorem* taxes, and, except to pay debt service on certain voter approved indebtedness, prohibits the imposition of any additional *ad valorem*, sales or transaction taxes on real property. Article XIII A does permit *ad valorem* taxes to be levied in excess of the basic 1% tax limitation as required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, (b) on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on any bonded indebtedness approved by fifty-five percent of the votes cast by the voters for the construction, reconstruction, rehabilitation or replacement, including furnishing and equipping of, or the acquisition or lease of real property for, school facilities, provided that certain accountability and other requirements are satisfied. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues, while prohibiting the imposition by the State Legislature of any new *ad valorem*, sales or transaction taxes on real property.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax except to pay voter-approved indebtedness. The 1% property tax is automatically levied by each county in the State and distributed according to a formula among taxing agencies within that county. The formula apportions the tax roughly in proportion to the relative shares of taxes last levied prior to 1989.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency claims, if any, on tax increment and subject to changes in organization, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Article XIII B

Article XIII B of the Constitution, approved by voters in 1979 and subsequently amended by Propositions 98 and 111 (together, the “Gann limit”), limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State, to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population, for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines:

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in California per-capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a)

regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues. For school districts Article XIII B constrains appropriations from State and local tax sources, but not federal aid or non-tax income, such as revenues from cafeteria sales or adult education fees.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two fiscal years. If a school district receives any proceeds of taxes in excess of its appropriations limit, it may increase its appropriations limit to equal that amount by taking appropriations limit from the State.

Article XIII B also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the Constitution. See “**Propositions 98 and 111**” below.

Propositions 98 and 111

On November 8, 1988 the voters approved Proposition 98, an initiative constitutional amendment and statute called “The Classroom Instructional Improvement and Accountability Act” (“Proposition 98”). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIII B and Section 8 of Article XVI of the Constitution and added Section 8.5 of Article XVI to the Constitution, the effects of which are to establish a minimum level of State funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State's appropriations limit and to exempt such excess funds from school district appropriations limits.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“Proposition 111”) which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the Constitution with respect to appropriations limitations and school funding priority and allocation.

Article XIII B, as amended by both Proposition 98 and Proposition 111, is discussed above under “**Article XIII B.**”

The provisions of Sections 8 and 8.5 of Article XVI, as added to or amended by Propositions 98 and 111, may be summarized as follows:

- (a) *State Funding of Schools (Section 8)*. Monies to be applied by the State for the support of school districts must be at a level equal to the greater of the following “tests”:

(i) The amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIII B, equals the percentage of general fund revenues appropriated for school districts in fiscal year 1986/87;

(ii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita general fund revenues plus one-half of one percent);

(iii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita general fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita general fund revenues plus one-half of one percent).

If the third test is used in any year the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when the general fund revenue growth exceeds personal income growth.

The State legislature by a two-thirds vote of both houses, with the Governor's concurrence, may suspend for one year the minimum funding provisions for school districts as provided for in Section 8.

- (b) *Allocations to the State School Fund (Section 8.5).* In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIII B) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

Such allocations do not constitute appropriations subject to Article XIII B limitations and are to be made in an equal amount per enrollment.

Articles XIII C and XIII D

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect taxes, assessments, fees and charges. Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes;

and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIII C also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. In respect to school district general obligation bonds, the Constitution and laws of the State impose a mandatory duty on the county Treasurer-Tax Collector to levy a property tax sufficient to pay debt service on such bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of such bonds or to otherwise interfere with performance of the mandatory duty of a school district and its county with respect to such taxes which are pledged as security for payment of such bonds. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of, or consents to, any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Voter approved special taxes, including those levied pursuant to the Mello-Roos Community Facilities Act, "parcel" taxes, and assessments levied pursuant to the Landscape and Lighting District Act of 1972, that are not pledged by statute to the payment of bonds, may be subject to reduction or repeal by voter initiative under the provisions of Article XIII C.

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

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or ability to expend revenues.

AD VALOREM PROPERTY TAXATION

Principal of and interest on the Notes are payable solely from all taxes, revenues, income, cash receipts and other moneys of the Board and of the Districts for the payment thereof. (See "THE NOTES — Security for the Notes, and "THE NOTES — Available Sources of Repayment" herein.) The information in this section describes how ad valorem property taxes in general are assessed and levied. For

specific information on the property tax base, tax levies and collections for the Board, see “BOARD TAX BASE INFORMATION” herein.

County Services

School districts within each county use the services of that county for the assessment and collection of property taxes for district purposes. District property taxes, including the *ad valorem* property tax for payment of general obligation bonds, are assessed and collected by the county at the same time and on the same rolls as county, special district and city property taxes.

Assessed Valuation

All property is assessed using full cash value as defined by Article XIII A of the Constitution. State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files for such exemption. This exemption does not result in any loss of tax revenue to local agencies, since the State reimburses local agencies for the value of taxes on exempted property. State law also provides exemptions from *ad valorem* property taxation for certain classes of property, based on ownership or use, such as churches, colleges, non-profit hospitals and charitable institutions; the State does not reimburse local agencies for any tax not levied due to these exemptions. State and federal government property also is not taxed.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Boats, aircraft and business personal property are examples of unsecured property. Unsecured property is assessed on the “unsecured roll.” Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is the July 1 - June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor.

Future growth in assessed valuation allowed under Article XIII A is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

See “BOARD TAX BASE INFORMATION” herein for a history of assessed valuation and a list of the largest secured tax payers for the current tax year within the jurisdiction of the Board.

State-Assessed Utility Property

The Constitution provides that the State Board of Equalization (the "SBE") rather than counties assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as "unitary property." The SBE assesses property at "fair market value," determined by various methods and formulae depending on the nature of the property, except that assessed value of certain railroad property is limited to a percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county, subject to certain adjustments, according to the approximate percentage allocated to each taxing agency in the prior year.

Recent changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may convert the status of such assets from SBE-assessed unitary property to locally assessed property. If locally taxed property were acquired by a utility and taxed as unitary property, local taxing agencies within a county will gain or lose assessed value depending on how such assessed value is redistributed among the local taxing agencies. If the State or a local municipality buys or otherwise acquires property owned by a private, tax paying utility, such property will be removed from the tax rolls. *Ad valorem* tax rates for local agency bonds may adjust up or down in response to such changes in assessed value.

Tax Levies, Collections and Delinquencies

Property tax rates are set by the first business day of September of the tax year of the related tax levy. The secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by end of business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax-Collector.

A 10% penalty also attaches to delinquent taxes on property on the unsecured roll, and after the last day of the second month after the 10% penalty attaches, an additional penalty of 1.5% per month begins to accrue, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's office in order to obtain

a lien on specified property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Teeter Plan

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

See “**BOARD TAX BASE INFORMATION— Secured Tax Charges and Delinquencies**” herein for a history of property tax collections and delinquencies in the jurisdiction of the Board.

GENERAL EDUCATIONAL FUNDING INFORMATION

State Funding of School Districts

Annual State apportionments of basic and equalization aid to K-12 school districts for general purposes are made according to a revenue limit per unit of average daily attendance (“A.D.A.”). If a district’s total revenue limit exceeds its property tax revenue, its annual State apportionments, subject to certain adjustments, amount to the difference between revenue limit and its property tax receipts. A.D.A. is determined by school districts twice a year, in December (“First Period A.D.A.”) and April (“Second Period A.D.A.”).

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district’s current year revenue limits per A.D.A.; third, the current year revenue limits per A.D.A. are applied to the school district’s A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as “add-ons” are calculated for each school district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils,

among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for each district to arrive at the amount of State apportionment each school district is entitled to for the current year.

The State revenue limit is calculated three times a year for each school district on the basis of projections submitted by the district on or about December 10, based on First Period A.D.A., and April 15 and June 30, both based on Second Period A.D.A. Beginning in fiscal year 1998/99, A.D.A. calculations have been based on actual attendance and no longer include excused absences. Revenue limit calculations are made by each school district, reviewed by the County Office of Education and submitted to the State Department of Education. The State Department of Education reviews the calculations for accuracy, determines the amount of State apportionment owed to each school district and notifies the State Controller to distribute the apportionments. The first calculation is performed for the First Principal Apportionment in February, the second calculation for the Second Principal Apportionment in June, and the final calculation for the end of the fiscal year Annual Principal Apportionment, in essence a correction that is made in October of the next fiscal year.

See **“BOARD GENERAL INFORMATION”** herein for the Board’s annual revenue limit per A.D.A.

Basic Aid Districts

In the event that a school district’s property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue and State apportionments to that district are limited to the minimum “basic aid” amount of \$120 per A.D.A. set forth in the Constitution. Such districts are commonly known as “Basic Aid Districts.” See **“DISTRICT GENERAL AND FINANCIAL INFORMATION — Average Daily Attendance and Revenue Limit”** herein for the District’s Basic Aid status.

State Budget

The State budget approval process begins with the release of the Governor’s proposed budget for the next fiscal year by January 10th to the State Legislature. State fiscal years begin July 1st. In May, the Governor submits a revision of the proposed budget that reflects updated estimates of revenues and expenditures. After a series of public hearings and the other steps in the legislative process, the budget must be approved by two-thirds vote in each house of the State Legislature and submitted to the Governor. The Governor may reduce or eliminate any appropriation through the line-item veto. Although the budget is required by the Constitution to be approved no later than June 15th, it often has not been approved until later (as late as September one year).

While the Constitution in large part dictates the formulae for determining the allocation of State revenues to the K-12 education portion of the State budget pursuant to Proposition 98 and other provisions (see **“CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS”** herein), the Governor and State legislature still have significant leeway in deciding whether and by how much to exceed or, in effect, reduce such allocation in the actual funding of K-12 school districts, and to decide what funds will be general purpose or restricted purpose, in the State budget process.

On May 29, 2002 the Court of Appeal of the State of California, Second Appellate District, in *Howard Jarvis Taxpayers Association et al v. Kathleen Connell, as Controller, etc.* concluded that in the absence of an adopted budget or emergency appropriation after June 15th, unless mandated by a State statutory or constitutional continuing appropriation or by federal law, the State Controller may not disburse funds, including, among other things, for salaries of school district employees in excess of amounts mandated by federal minimum wage and overtime law, and in general, other State funding of education under Proposition 98. The State Controller has announced an intention to appeal this decision and that the decision would cause about \$3 billion in Proposition 98 funding to be suspended in July in the absence of an adopted budget or emergency appropriation by June 15th. While this ruling has not existed in the past, the State in prior years has enacted emergency appropriations from time to time in the absence of an adopted budget by June 15th.

The *2001-02 Budget Act*, creating the State's budget for 2001/02, was signed into law on July 26, 2001. In November 2001, due to State revenues being less than assumed in the *2001-02 Budget Act* and to the State's energy expenditures (see "**Electric Power and Natural Gas**" below), the State enacted *Reductions in 2001-02 Spending*, among other things, reducing 2001/02 State K-12 education funding by \$843.5 million from the amounts originally budgeted, primarily through reductions in a variety of categorical grants to schools. Many of these grants had not yet been allocated. A further \$487 million reduction in certain existing K-12 2001/02 funding programs was announced in the *2002-03 Proposed Budget* presented by the Governor in January 2002.

The Governor's *May Revision* to the *2002-03 Proposed Budget* projects general fund revenue and transfers-in of \$73.775 billion for 2001/02 and \$78.603 billion for 2002/03. General fund expenditures are projected to be \$76.884 billion for 2001/02 and \$76.491 billion for 2002/03. Fiscal year end general fund balance is shown at \$2.986 billion for 2000/01, and is projected to be \$(123) million for 2001/02 and \$1.989 billion for 2002/03. To achieve the *May Revision* budget projections for 2002/03, relative to 2001/02 the *May Revision* proposes a total of \$23.642 billion in various spending reductions, reallocations of funding sources, tax increases and funding postponements throughout State government.

Proposition 98 K-12 education funding allocations under the *May Revision*, including local property tax revenue, are projected at \$43.256 billion for 2001/02 and \$47.167 billion for 2002/03. The State general fund portion of this Proposition 98 funding is \$31.405 billion for 2001/02 and \$31.354 billion for 2002/03. For 2001/02, Proposition 98 funding included a 3.87% cost of living adjustment (the "COLA") for school district and county office of education revenue limit apportionments and categorical programs, and funding of a 1.51% increase in statewide enrollment. For 2002/03, the *May Revision* includes a 2.00% COLA (only 1.66% is mandated under Proposition 98 formula) for school district and county office of education revenue limit apportionments and categorical programs, and funding of a 1.37% increase in statewide enrollment. Proposition 98 K-12 funding per pupil is projected to be \$6,618 for 2001/02 and \$7,186 for 2002/03.

The *May Revision* projects total K-12 funding from all sources, including federal funds and local taxes, to be \$52.770 billion for 2001/02 and \$56.478 billion for 2002/03.

Electric Power and Natural Gas

With enactment of AB 1890 by the State in 1996, the prices charged within the State for electric power from generators and other wholesale sources, previously controlled, were deregulated, subject to competitive pricing and market conditions, with the exception that electric utilities were prohibited from

purchasing power from generation or other wholesale sources through long-term supply contracts. The three major investor-owned electric utilities in the State are net buyers of electricity. The retail price of power charged within the State to residences and businesses, however, continued to be regulated and subject to price control. There also had been an absence of new power generation capacity coming on line within the State for a number of years, primarily due to environmental and other regulatory reasons and associated costs.

Late in 2000, increasing demand caused the spot market price of power to markedly increase, and the major power utilities in the State incurred sizable costs buying power from out of state sources at spot prices. Their inability under State regulation to negotiate long-term supply contracts or raise prices on resale caused the utilities to operate at significant and mounting net losses, and to default on some obligations. Pacific Gas & Electric Company, one of the three major investor-owned utilities in the State, filed for voluntary reorganization in federal bankruptcy court as a protection against creditors. Electricity sellers threatened to discontinue electricity sales to the utilities, and certain sellers withdrew from the California market, at least temporarily. In January, 2001 the California Independent System Operator, the not-for-profit public-benefit corporation chartered by the State to manage the State's power grid, issued numerous requests for energy conservation and load reductions, and on several occasions initiated rolling "blackouts" of approximately one to two hours duration in electric power delivery in certain metropolitan parts of Northern California. Natural gas deliveries to end users were not interrupted.

In response, the Governor declared a state of emergency and, among other actions, used the State's credit and general fund to purchase electricity in substantial amounts on the spot market and through long-term supply contracts, for resale to the utilities. Only a portion of this cost was planned to be recouped directly from electricity consumers. The Governor plans to make up \$11.1 billion of the balance from the sale of State revenue bonds in calendar 2002 (out of \$13.423 billion authorized), to be paid from consumer payments for electricity over approximately 15 years.

Since the first quarter of 2001, wholesale and spot prices for electricity and natural gas declined significantly, supply has been at least equal to demand and rolling blackouts have not occurred. Spot and other market prices of energy have remained significantly lower than the prices that the State has contracted for on a long-term basis. The State has been renegotiating these contracts at lower prices as it can, generally reducing their duration if not always the rates. Some additional generating capacity has come on line or is under construction in the State.

Continued State expenditures, or not reimbursing State general funds, for purchases of energy, energy production facilities and/or electric transmission facilities will continue to reduce availability of State funds for other discretionary programs, the largest of which is K-14 education (see "State Budget," above).

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), financed with the proceeds of State general obligation bonds authorized and issued for this purpose. Over the years, the rules for allocating and distributing such funds to individual districts and approving specific projects have varied. The current funding source is from bonds issued under a \$6.7 billion authorization for K-12 school facilities passed by over 62% of the vote in November 1998 under Proposition 1A. The bonds available under this authorization have been issued, and the proceeds

largely have been committed. The SAB currently allocates funds to districts on a quarterly basis under a system of assigned “priority points”. Application from school districts for State funding significantly exceeds available funds. When the State does fund, current policy is to fund 50% of approved new construction costs and 80% of approved modernization costs, or 100% of approved costs if the district is approved for hardship funding. The school district is responsible for the costs not funded by the State. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding, often in order to be “in line” for future State bond funding.

A future State bond measure for education capital projects has been approved by the State Legislature to be submitted to voters in November 2002.

State Retirement Programs

School districts participate in the State of California Teachers Retirement System (“STRS”). This plan covers all full-time and most part-time certificated employees. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. School districts also participate in the PERS. This plan covers all classified personnel who are employed at least four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have had five years of covered PERS service as a public employee.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and PERS State retirement boards. STRS has a substantial State-wide unfunded liability. Under current law, the liability is the responsibility of the State and not of individual school districts. Since this liability has not been broken down by each school district, it is impossible to determine each district's share. See “**BOARD GENERAL INFORMATION**” herein for information regarding the Board's contributions to these retirement systems.

County Office of Education

In each county there is a county superintendent of schools (the “County Superintendent”) and a county board of education. The Office of the County Superintendent, frequently known as the “County Office of Education” (the “County Office”) provides the staff and organization that carries out the activities of the County Superintendent and county board of education.

County Offices provide instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. All school district budgets must be approved by their County Office and each district must provide its County Office with scheduled interim reports throughout the fiscal year. County Offices also act as enforcement entities which intervene in district fiscal matters should a district fail to meet State budget and reporting criteria.

Budget Process

School districts and County Offices of Education (the “COEs”) are required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School districts’ and COEs’ annual general fund expenditures are characterized in large part by multi-year expenditure commitments such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts and COEs are required by State law to maintain general fund reserves which can be drawn upon in the event of a resulting excess of expenditures over revenues for a given fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Each COE is required by Education Code Section 1622 to adopt a budget and file that budget with the Superintendent of Public Instruction (the “State Superintendent”), the county supervisors, and the county auditor on or before July 1. The budget is required by Education Code Section 1621 to be prepared in the form prescribed and furnished by the State Superintendent, showing a complete plan and itemized statement of all proposed expenditures in each fund of the county office of education, of estimated cash balances, and all estimated revenues for the budget year. The budget will also include an estimate of those figures, unaudited, for the fiscal year immediately preceding the budget year.

In accordance with Education Code Section 42120, if a COE does not submit a COE budget in the manner prescribed, the State Superintendent is prohibited from making any apportionment of state or federal money for that particular COE and must notify the appropriate county official not to approve any warrants issued by the COE.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed.

For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

Subsequent to approval, the County Superintendent throughout the fiscal year will monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial

obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15th covering financial operations from July 1 through October 31st, and a Second Interim Financial Report by March 15th covering financial operations from November 1 through January 31st. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30th by June 1st. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30th, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. See also "Note 1" in "APPENDIX C" herein for further discussion of applicable accounting policies.

County Investment Pool

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* and 53635 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Treasurer-Tax Collector, Contra Costa County, 625 Court Street, Room 102, Martinez, CA 94553, telephone (925) 646-4115; see also “**APPENDIX D — EXCERPTS FROM THE CONTRA COSTA COUNTY INVESTMENT PORTFOLIO REPORT**”.

BOARD GENERAL INFORMATION

General Information

The Board provides educational and educational support services to school districts, school personnel and other educational and private agencies. In addition, the Board operates programs for special education infants, youth incarcerated in Juvenile Hall and Camps and a community school for youth under the Juvenile Court umbrella, but not incarcerated.

The Board consists of 5 members elected to four year terms in staggered years. The Board's day to day operations are administered by a duly elected County Superintendent of Schools. Dr. Joseph A. Ovick has served as County Superintendent since 1996.

The Board serves nine elementary school districts, seven unified school districts, two high school districts, and one community college district located in the County.

The following is a list of selected services provided or coordinated by the Board:

| | |
|--|--|
| <ul style="list-style-type: none"> Attendance and Child Welfare Bilingual Education Business Advisory Services California Technology Project - Bay Region Standard School Supply Bid/Districts Curriculum Development Data Processing Educational Technology Equipment Repair Film/Videocassette Library Fiscal Services Healthy Kids, Healthy California Instructional Materials Display Center | <ul style="list-style-type: none"> Professional Development Program School Attendance Review School District Audits School District Elections School District Organization Staff Development State Teachers' Retirement System Teacher Credentials Teachers' Library Unemployment Insurance Vocational and Career Education |
|--|--|

Average Daily Attendance and Revenue Limit

The following table summarizes the average daily attendance (“A.D.A.”) for the Board for the last four years and a projection for 2002/03.

| CONTRA COSTA COUNTY BOARD OF EDUCATION Average Daily Attendance Second Period | | | |
|--|--|---|--|
| <u>Academic Year</u> | <u>Board of Education Classes^(a) Average Daily Attendance</u> | <u>Other Purpose^(b) Average Daily Attendance</u> | <u>Direct Service^(c) Average Daily Attendance</u> |
| 1998/99 | 4,268 | 156,051 | 394 |
| 1999/00 | 4,337 | 156,264 | 416 |
| 2000/01 | 4,691 | 159,255 | 423 |
| 2001/02 | 4,557 | 162,440 | 408 |
| 2002/03 ^(d) | 4,675 | 163,255 | 410 |

(a) Classes operated by the Board of Education.
 (b) Represents support services provided all school districts in Contra Costa County.
 (c) Represents support services provided school districts with ADA under 901.
 (d) Estimated budget year total.

Source: The Board.

The Board’s annual revenue limit estimates for 2001/02 and 2002/03 are shown below:

| CONTRA COSTA COUNTY BOARD OF EDUCATION Annual Average Daily Attendance by Program | | |
|--|--|--|
| <u>Program</u> | <u>2001/02 Entitlement (Estimated)</u> | <u>2002/03 Entitlement (Projected)</u> |
| Juvenile Court | 2,665,997 | 2,754,982 |
| Community Schools | 1,747,331 | 1,843,981 |
| R.O.P | 8,732,204 | 8,513,865 |
| Direct Service | 52,949 | 54,309 |
| Jail Education | 907,247 | 1,138,276 |
| Special Ed/J-50 | 6,248,961 | 6,417,591 |
| Community Day School | 18,894,603 | 18,595,894 |

Source: The Board.

Employee Relations

Currently the Board employs 187.70 full-time equivalent (FTE) certificated employees, 320 FTE classified employees and 72 management employees. There are 2 formal bargaining units operating in the Board which are described in the table below. Presently, the supervisors, management and confidential employees are not represented by an exclusive bargaining agent.

**CONTRA COSTA COUNTY BOARD OF EDUCATION
Labor Organizations**

| <u>Labor Organization</u> | <u>Number of Employees</u> | <u>Contract Expiration</u> |
|---|----------------------------|----------------------------|
| Contra Costa Schools Education Association/ CTA/NEA | 181 | June 30, 2003 |
| Public Employee Union Local #1 | 319 | June 30, 2004 |

Source: The Board.

Retirement Programs

The Board's contribution to STRS for fiscal year 2001/02 was \$1,370,177 and in fiscal year 2002/03 is estimated to be \$1,400,000. The Board's contribution to PERS for fiscal year 2001/02 was \$0 and for fiscal year 2002/03 is projected to be \$0. See **“GENERAL EDUCATION FUNDING INFORMATION — State Retirement Programs”** herein.

See the notes to the Board's audited financial statements which are excerpted and contained in **APPENDIX C** for additional information concerning STRS and PERS.

BOARD TAX BASE INFORMATION

*Principal of and interest on the Notes are payable solely from all taxes, revenues, income, cash receipts and other moneys of the Board and of the Districts for the payment thereof. (See **“THE NOTES — Security for the Notes, and “THE NOTES — Available Sources of Repayment”** herein.) This section presents certain information concerning the property tax base in the County. For general information on how ad valorem property tax is assessed, levied and collected see **“AD VALOREM PROPERTY TAXATION”** herein.*

Assessed Valuation

The following table represents the five-year history of assessed valuation of the Board. Railroad property, whose valuation does not fall under unitary property, is shown under "Utility". For more information regarding how property is assessed in the State of California, see "AD VALOREM PROPERTY TAXATION — Assessed Valuation" herein.

CONTRA COSTA COUNTY BOARD OF EDUCATION Assessed Valuation

| <u>Fiscal Year</u> | <u>Local Secured</u> | <u>Utility</u> | <u>Unsecured</u> | <u>Total</u> |
|--------------------|----------------------|----------------|------------------|------------------|
| 1997/98 | \$64,549,175,857 | \$73,417,505 | \$2,888,202,295 | \$67,510,795,657 |
| 1998/99 | 67,609,110,973 | 93,544,131 | 2,947,238,833 | 70,649,893,937 |
| 1999/00 | 72,311,643,215 | 87,829,073 | 2,999,828,829 | 75,399,301,117 |
| 2000/01 | 78,991,278,579 | 64,690,574 | 3,424,094,381 | 82,480,063,534 |
| 2001/02 | 87,003,859,267 | 88,000,340 | 4,245,475,520 | 91,337,335,127 |

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies

The following table reflects the historical secured tax levy and year-end delinquencies for the taxes levied within the jurisdiction of the Board.

CONTRA COSTA COUNTY BOARD OF EDUCATION Secured Tax Charge and Delinquencies^(a)

| <u>Fiscal Year</u> | <u>Secured Tax Charge</u> | <u>Amount Delinquent June 30</u> | <u>Percent Delinquent June 30</u> |
|--------------------|---------------------------|----------------------------------|-----------------------------------|
| 1996/97 | \$835,497,216.74 | \$19,448,394.61 | 2.33% |
| 1997/98 | 849,269,155.76 | 15,971,510.68 | 1.88 |
| 1998/99 | 889,081,434.33 | 15,811,103.73 | 1.78 |
| 1999/00 | 928,052,228.17 | 15,852,942.48 | 1.71 |
| 2000/01 | 1,005,389,671.81 | 20,572,373.28 | 2.05 |

^(a) These represent all taxes collected by the County within the boundaries of the jurisdiction of the Board.

Source: California Municipal Statistics, Inc.

Under the Teeter Plan, the County funds the Board and Districts their full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. "AD VALOREM PROPERTY TAXATION — Teeter Plan" herein.

Largest Taxpayers

The twenty largest taxpayers within the jurisdiction of the Board, as shown on the 2001/02 secured tax roll.

CONTRA COSTA COUNTY BOARD OF EDUCATION Largest Taxpayers

| <u>Name</u> | <u>Primary Land Use</u> | <u>2001/02 Assessed Valuation</u> | <u>Percent of Total^(a)</u> |
|---------------------------------|-------------------------|---------------------------------------|---------------------------------------|
| Chevron USA Inc. | Heavy Industrial | \$2,041,883,936 | 2.35% |
| Equilon Enterprises LLC | Heavy Industrial | 1,476,141,254 | 1.70 |
| Tosco Corporation | Heavy Industrial | 1,197,953,758 | 1.38 |
| Southern Energy Delta LLC | Power Plan | 611,423,407 | 0.70 |
| USS Posco Industries | Heavy Industrial | 447,299,987 | 0.51 |
| Bank of America | Office Building | 195,920,333 | 0.23 |
| Kaiser Foundation Health Plan | Office Building | 192,715,082 | 0.22 |
| Sierra Pacific Properties Inc. | Office Building | 168,754,978 | 0.19 |
| Gaylord Container Corporation | Heavy Industrial | 165,023,856 | 0.19 |
| Wells Fargo Bank | Shopping Center | 161,332,110 | 0.19 |
| First Walnut Creek Mutual | Condominiums | 159,885,451 | 0.18 |
| W Cornerstone Properties LP | Office Building | 137,938,063 | 0.16 |
| Dow Chemical Company | Heavy Industrial | 132,564,795 | 0.15 |
| SDC 7 | Office Building | 130,470,206 | 0.15 |
| Berlex Laboratories Inc. | Heavy Industrial | 127,824,170 | 0.15 |
| Annabel Investment Co. | Office Building | 127,603,015 | 0.15 |
| Sugar Acquisition Corp. | Heavy Industrial | 127,218,177 | 0.15 |
| Second Walnut Creek Mutual | Condominiums | 110,724,433 | 0.13 |
| Spieker Properties | Office Building | 103,388,113 | 0.12 |
| Metropolitan Life Insurance Co. | Office Building | <u>98,897,826</u> | <u>0.11</u> |
| | | <u>\$7,914,962,950</u> | <u>9.10%</u> |

^(a) 2001/02 Local Secured Assessed Valuation: \$87,003,859,267.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of June 1, 2002. The Debt Report is included for general information purposes only. The Board has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Board in whole or in part. Such long term obligations generally are not payable from revenues of the Board (except as indicated) nor are they necessarily obligations secured by land within the Board. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The first column of the Debt Report lists local agencies with territory overlapping, at least in part, that of the Board. The second column shows the portion of each overlapping entity's debt assignable to property within the boundaries of the Board, and the third column shows the amount of that portion of the overlapping entity's existing debt. The total amount of debt for each overlapping entity is not given.

The Debt Report also shows, at the top, the gross assessed valuation, less any redevelopment agency tax increment and the resulting net assessed valuation after deducting redevelopment agency tax increment. *Ad valorem* tax rates for paying general obligation bonds are determined on the basis of gross assessed valuation; allocation of the basic 1% *ad valorem* tax levy to taxing agencies within a county is determined on the basis of the net assessed valuation after deducting redevelopment agency tax increment.

CONTRA COSTA COUNTY BOARD OF EDUCATION
Statement of Direct and Overlapping Debt

2001/02 Assessed Valuation: \$93,437,663,121
 Redevelopment Incremental Valuation: (8,835,385,357)
 Adjusted Assessed Valuation: \$84,602,277,764

| <u>DIRECT AND OVERLAPPING BONDED DEBT:</u> | <u>Percent Applicable</u> | <u>Debt 6/1/02</u> |
|--|---------------------------|--------------------------------------|
| East Bay Municipal Water District and Special District No. 1 | 49.589 & 6.018% | \$ 5,411,977 |
| Martinez Unified School District | 100. | 41,348,920 |
| Pittsburg Unified School District | 100. | 28,585,000 |
| San Ramon Valley Unified School District | 100. | 66,219,584 |
| West Contra Costa Unified School District | 100. | 92,450,000 |
| Acalanes and Liberty Union High School Districts | 100. | 106,784,911 |
| Lafayette School District | 100. | 28,200,000 |
| Other School Districts | 0.414-100. | 85,287,039 |
| Cities | 100. | 10,155,000 |
| East Bay Regional Park District | 44.549 | 74,595,073 |
| Other Special Districts | 100. | 1,485,000 |
| Community Facilities Districts | 100. | 280,395,000 |
| 1915 Act Assessment Bonds (Estimate) | 100. | <u>461,352,000</u> |
| TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT | | 1,282,269,504 |
| Less: East Bay Municipal Utility District (100% self-supporting) | | <u>(2,767,066)</u> |
| TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT | | 1,279,502,438 |
| <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u> | | |
| Contra Costa County General Fund Obligations | 100. | 321,745,000 |
| Contra Costa County Pension Obligations | 100. | 281,425,000 |
| Contra Costa County Office of Education Certificates of Participation | 100. | 2,720,000 ^(a) |
| Contra Costa County Mosquito Abatement District Certificates of Participation | 100. | 1,055,000 |
| Alameda-Contra Costa Transit District Certificates of Participation | 10.889 | 2,506,648 |
| Antioch Unified School District Certificates of Participation | 100. | 19,935,872 |
| San Ramon Valley Unified School District Educational Facilities Corporation | 100. | 27,875,000 |
| Other School District General Fund Obligations | 0.040-100. | 44,881,125 |
| City of Antioch General Fund Obligations | 100. | 20,777,996 |
| City of Concord General Fund and Judgment Obligations | 100. | 42,095,000 |
| City of Richmond General Fund Obligations | 100. | 51,904,469 |
| City of Richmond Pension Obligations | 100. | 31,360,000 |
| City of San Ramon General Fund Obligations | 100. | 22,580,000 |
| Other City General Fund Obligations | 100. | 38,120,000 |
| Hospital Authorities | 100. | 2,555,000 |
| Other Special District Certificates of Participation | 100. | <u>11,625,000</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | | \$ 923,161,110 |
| Less: San Ramon Unified School District Certificates of Participation (self-supporting from GIC from Bayerisch Landesbank) | | <u>(8,885,000)</u> |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT | | \$ 914,276,110 |
| GROSS COMBINED TOTAL DEBT | | \$2,205,430,614^(b) |
| NET COMBINED TOTAL DEBT | | \$2,193,778,548 |

^(a) Excludes tax and revenue anticipation notes.

^(b) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2001/02 Assessed Valuation:

Total Gross Direct and Overlapping Tax and Assessment Debt 1.37%
 Total Net Direct and Overlapping Tax and Assessment Debt 1.37%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$2,720,000) 0.003%
 Gross Combined Total Debt 2.61%
 Net Combined Total Debt 2.59%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/01 : \$0

Source: California Municipal Statistics, Inc.

BOARD AND DISTRICT FINANCIAL INFORMATION

Audit

Excerpts from the 2000/01 audited financial statements are included in **APPENDIX C**, herein. The Board and the Districts are required to present their annual audits at a public meeting no later than January 31st of the following year. The Board and the Districts consider their audited financial statements to be documents of public record. The Board and the Districts have not requested their auditors to review this Official Statement, nor have they done so.

Comparative Financial Statements

The following tables summarize the Board's and each District's General Fund revenue, expenditures and fund balances from fiscal years 1999/00 through 2001/02 and a preliminary budget for 2002/03. Year-end fund balances are comprised of reserved and unreserved funds, including a reserve for economic uncertainty. (See "**APPENDIX C**" and the "**Combined Balance Sheet**" therein for further detail on the composition of the June 30, 2001 ending balances.)

Contra Costa County Board of Education

The Board's Second Interim Report for fiscal year 2001/02 was certified as "positive".

**CONTRA COSTA COUNTY BOARD OF EDUCATION
Revenue, Expenditures and Fund Balances**

| | Actual 1999/00 ^(a) | Actual 2000/01 ^(a) | Estimated Actual 2001/02 ^(b) | Preliminary Budget 2002/03 ^(b) | Percent of Total ^(c) |
|---|----------------------------------|----------------------------------|--|---|---------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$ 3,634,163 | \$ 4,248,254 | \$ 4,994,440 | \$ 6,330,826 | 11% |
| Property Tax | 17,877,430 | 19,849,391 | 19,885,280 | 19,885,280 | 33 |
| Federal | 3,494,798 | 3,558,799 | 3,837,867 | 3,606,048 | 6 |
| Other State | 21,270,626 | 22,300,898 | 25,915,866 | 25,558,535 | 43 |
| Other Local | 2,704,404 | 2,530,669 | 4,972,916 | 4,178,833 | 7 |
| Transfers In/Other | <u>1,456,515</u> | <u>1,975,013</u> | <u>0</u> | <u>0</u> | |
| TOTAL REVENUE | 50,437,936 | 54,463,024 | 59,606,369 | \$59,559,522 | 100 |
| EXPENDITURES | | | | | |
| Salaries: | | | | | |
| Certificated | 15,173,460 | 17,381,147 | 18,329,105 | 18,826,549 | 32 |
| Classified | 11,053,641 | 11,962,158 | 12,315,063 | 12,441,256 | 21 |
| Employee Benefits | 5,393,795 | 5,902,189 | 8,761,530 | 8,818,470 | 15 |
| Books, and Supplies | 2,064,447 | 1,921,838 | 3,016,184 | 1,847,739 | 3 |
| Contract Services and Other Expenses | 11,920,148 | 13,938,396 | 15,048,564 | 15,488,306 | 26 |
| Capital Outlay | 2,510,610 | 1,765,247 | 1,323,612 | 760,542 | 1 |
| Other Outgo | 1,201,665 | 1,501,461 | 477,894 | 479,482 | 1 |
| Debt Service - principal | 0 | 285,000 | 0 | 0 | |
| Debt Service - interest and other | <u>0</u> | <u>194,491</u> | <u>0</u> | <u>0</u> | |
| TOTAL EXPENDITURES | 49,317,766 | 54,851,927 | 59,271,952 | 58,662,344 | 100 |
| OTHER SOURCES/USES | | | | | |
| Operating Transfers In | 0 | 69,705 | 0 | 0 | 0 |
| Operating Transfers Out | (210,000) | (311,756) | (230,000) | (200,000) | 0 |
| Other Sources | 0 | 0 | 0 | 0 | 0 |
| Other Uses | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL FINANCING SOURCES/USES | (210,000) | (242,051) | (230,000) | (200,000) | 0 |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | | | | | |
| | 910,170 | (630,954) | 104,417 | 697,178 | |
| FUND BALANCE, BEGINNING OF YEAR | <u>4,203,442</u> | <u>5,113,612</u> | <u>4,482,658</u> | <u>4,587,075</u> | |
| FUND BALANCE JUNE 30 | <u>\$ 5,113,612</u> | <u>\$ 4,482,658</u> | <u>\$ 4,587,075</u> | <u>\$ 5,284,253</u> | <u>9%</u> |

^(a) Derived from Audited Financial Reports.

^(b) Based on Board estimates as of March 6, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: The Board.

Brentwood Union School District

The District's Second Interim Report for fiscal year 2001/02 was certified as "positive".

**BRENTWOOD UNION SCHOOL DISTRICT
Revenue, Expenditures and Fund Balances**

| | Actual 1999/00 ^(a) | Actual 2000/01 ^(a) | Estimated Actual 2001/02 ^(b) | Preliminary Budget 2002/03 ^(c) | Percent of Total ^(c) |
|--|----------------------------------|----------------------------------|---|---|---------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$ 8,772,189 | \$ 11,394,582 | \$ 14,232,508 | \$ 15,761,534 | 50% |
| Property Tax | 5,271,456 | 6,206,785 | 6,757,893 | 6,757,893 | 22 |
| Federal | 666,433 | 934,770 | 1,107,363 | 1,163,023 | 4 |
| Other State | 4,667,684 | 6,924,451 | 5,954,023 | 6,375,907 | 20 |
| Other Local | 651,991 | 1,343,840 | 1,277,203 | 1,341,400 | 4 |
| Transfers in/Other | 0 | 0 | 0 | 0 | 0 |
| TOTAL REVENUE | <u>20,029,753</u> | <u>26,804,428</u> | <u>29,328,990</u> | <u>31,399,757</u> | <u>100</u> |
| EXPENDITURES | | | | | |
| Salaries | | | | | |
| Certificated | 11,036,851 | 14,791,415 | 17,137,299 | 17,837,358 | 57 |
| Classified | 2,793,124 | 3,701,920 | 4,184,441 | 4,651,148 | 15 |
| Employee Benefits | 2,507,127 | 3,194,884 | 4,255,104 | 4,340,206 | 14 |
| Books and Supplies | 1,061,050 | 1,517,692 | 1,368,477 | 1,473,193 | 5 |
| Contract Services and Other Expenses | 1,853,926 | 2,634,498 | 2,887,117 | 3,108,039 | 10 |
| Capital Outlay | 255,201 | 412,559 | 257,516 | 277,221 | 1 |
| Debt Service | 0 | 0 | (324,149) | (348,953) | (1) |
| Principal Retirement | 0 | 118,540 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 2,297 | 0 | 0 | 0 |
| Transfers Out/Other | 267,116 | 351,064 | 0 | 0 | 0 |
| TOTAL EXPENDITURES | <u>19,774,395</u> | <u>26,724,869</u> | <u>29,765,805</u> | <u>31,338,212</u> | <u>100</u> |
| OTHER FINANCING SOURCES/USES | | | | | |
| Interfund Transfers In/Sources | 99,121 | 190,899 | 0 | 0 | 0 |
| Interfund Transfers Out/Uses | (100,412) | (175,534) | (117,945) | (126,970) | 0 |
| Other | - | 159,583 | 0 | 0 | 0 |
| TOTAL FINANCING SOURCES/USES | <u>(1,291)</u> | <u>174,948</u> | <u>(117,945)</u> | <u>(126,970)</u> | <u>0</u> |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | <u>254,067</u> | <u>254,507</u> | <u>(554,760)</u> | <u>(65,425)</u> | |
| FUND BALANCE JULY 1 | <u>2,203,105</u> | <u>2,457,172</u> | <u>2,791,015</u> | <u>2,236,255</u> | |
| ADJUSTMENTS TO FUND BALANCE FROM PRIOR PERIOD | <u>0</u> | <u>79,336</u> | <u>0</u> | <u>0</u> | |
| FUND BALANCE JUNE 30 | <u>\$ 2,457,172</u> | <u>\$ 2,791,015</u> | <u>\$ 2,236,255</u> | <u>\$ 2,170,830</u> | <u>7%</u> |

^(a) Derived from Audited Financial Reports.

^(b) District's 2nd Period Interim Report as of February 25, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: Brentwood Union School District.

John Swett Unified School District

The District's Second Interim Report for fiscal year 2001/02 was certified as "positive".

**JOHN SWETT UNIFIED SCHOOL DISTRICT
Revenue, Expenditures and Fund Balances**

| | <u>Actual</u> <u>1999/00^(a)</u> | <u>Actual</u> <u>2000/01^(a)</u> | <u>Estimated</u> <u>Actual</u> <u>2001/02^(b)</u> | <u>Preliminary</u> <u>Budget</u> <u>2002/03^(b)</u> | <u>Percent of Total^(c)</u> |
|---|---|---|---|---|---------------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$ 3,022,883 | \$ 3,594,225 | \$ 3,530,465 | \$ 3,435,638 | 25% |
| Property Tax | 5,307,714 | 5,272,852 | 5,493,051 | 5,493,051 | 41 |
| Federal | 487,046 | 470,547 | 606,903 | 591,800 | 4 |
| Other State | 3,130,994 | 3,811,176 | 3,261,629 | 3,171,872 | 23 |
| Other Local | <u>842,651</u> | <u>1,017,484</u> | <u>864,076</u> | <u>874,669</u> | <u>7</u> |
| TOTAL REVENUE | 12,791,288 | 14,166,284 | 13,756,124 | 13,567,030 | 100 |
| EXPENDITURES | | | | | |
| Salaries: | | | | | |
| Certificated | 5,877,017 | 5,725,291 | 5,809,403 | 5,910,638 | 42 |
| Classified | 1,731,772 | 1,800,232 | 1,970,264 | 1,952,162 | 14 |
| Employee Benefits | 1,846,649 | 1,720,783 | 1,945,292 | 1,885,146 | 13 |
| Books, and Supplies | 425,184 | 627,986 | 967,271 | 537,563 | 4 |
| Contract Services and Other Expenses | 2,380,386 | 2,704,976 | 3,206,414 | 3,371,633 | 24 |
| Capital Outlay | 232,774 | 230,547 | 249,957 | 112,400 | 1 |
| Other | <u>161,317</u> | <u>285,160</u> | <u>0</u> | <u>156,988</u> | <u>1</u> |
| TOTAL EXPENDITURES | 12,655,099 | 13,094,975 | 14,148,601 | 13,926,530 | 100 |
| OTHER FINANCING SOURCES/USES | | | | | |
| Interfund Transfers In/Sources | - | - | 166,241 | 0 | 0 |
| Interfund Transfers Out/Uses | (117,497) | (273,999) | (161,498) | (66,405) | 0 |
| Prior Year Adjustment | - | 87,999 | 0 | 0 | 0 |
| Other | - | - | 0 | 0 | 0 |
| TOTAL FINANCING SOURCES/USES | (117,497) | (186,000) | 4,743 | (66,405) | 0 |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | | | | | |
| | 18,692 | 885,309 | (387,734) | (425,905) | |
| FUND BALANCE JUNE 30 | | | | | |
| | <u>930,081</u> | <u>948,773</u> | <u>1,834,082</u> | <u>1,446,348</u> | |
| FUND BALANCE JULY 1 | | | | | |
| | <u>\$ 948,773</u> | <u>\$ 1,834,082</u> | <u>\$1,446,348</u> | <u>\$ 1,020,443</u> | 7% |

^(a) Derived from Audited Financial Reports.

^(b) Based on Board estimates as of February 20, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: John Swett Unified School District.

Lafayette Elementary School District

The District's Second Interim Report for fiscal year 2001/02 was certified as "positive".

**LAFAYETTE ELEMENTARY SCHOOL DISTRICT
Revenue, Expenditures and Fund Balances**

| | Actual 1999/00 ^(a) | Actual 2000/01 ^(a) | Estimated Actual 2001/02 ^(b) | Preliminary Budget 2002/03 ^(b) | Percent of Total ^(c) |
|---|----------------------------------|----------------------------------|--|--|---------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$4,543,138 | \$5,325,729 | \$ 5,754,680 | \$ 5,783,999 | 26% |
| Property Tax | 8,573,276 | 9,278,258 | 9,253,744 | 9,253,744 | 42 |
| Federal | 306,616 | 423,655 | 521,046 | 523,105 | 2 |
| Other State | 4,216,642 | 5,773,365 | 4,749,322 | 4,165,929 | 19 |
| Other Local | 2,263,931 | 3,106,889 | 2,299,445 | 2,046,757 | 9 |
| Other | 0 | 0 | 0 | 12,500 | 0 |
| TOTAL REVENUE | 19,903,603 | 23,907,896 | 22,578,237 | 21,786,034 | 100 |
| EXPENDITURES | | | | | |
| Salaries: | | | | | |
| Certificated | 10,129,736 | 11,851,838 | 12,247,666 | 12,235,873 | 53 |
| Classified | 2,987,577 | 3,481,071 | 3,612,621 | 3,581,199 | 15 |
| Employee Benefits | 2,620,450 | 3,035,602 | 3,538,055 | 3,777,501 | 16 |
| Books, and Supplies | 1,021,160 | 1,114,862 | 1,041,096 | 1,374,475 | 6 |
| Contract Services and Other Expenses | 1,459,606 | 1,613,427 | 1,990,593 | 1,808,507 | 8 |
| Capital Outlay | 881,962 | 911,746 | 481,210 | 225,200 | 1 |
| Other | 317,893 | 348,445 | 46,500 | 49,000 | 0 |
| TOTAL EXPENDITURES | 19,418,384 | 22,356,991 | 22,957,741 | 23,051,755 | 99 |
| OTHER FINANCING SOURCES/USES | | | | | |
| Interfund Transfers In/Sources | 290,000 | 272,457 | 269,383 | 90,000 | 0 |
| Interfund Transfers Out/Uses | (172,000) | (266,456) | (162,000) | (130,000) | 1 |
| Prior Year Adjustment | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| TOTAL FINANCING SOURCES/USES | 118,000 | 6,001 | 107,383 | (40,000) | 1 |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | 603,219 | 1,556,906 | (272,121) | (1,305,721) | |
| FUND BALANCE JUNE 30 | 1,414,006 | 2,017,225 | 3,574,131 | 3,302,010 | |
| FUND BALANCE JULY 1 | \$2,017,225 | \$3,574,131 | \$ 3,302,010 | \$ 1,996,289 | 9% |

^(a) Derived from Audited Financial Reports.

^(b) District's 2nd Interim Report as of March 13, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: Lafayette Elementary School District

Liberty Union High School District

The District's Second Interim Report for fiscal year 2001/02 was certified as "positive".

LIBERTY UNION HIGH SCHOOL DISTRICT Revenue, Expenditures and Fund Balances

| | Actual 1999/00 ^(a) | Actual 2000/01 ^(a) | Estimated Actual 2001/02 ^(b) | Preliminary Budget 2002/03 ^(b) | Percent of Total ^(c) |
|---|----------------------------------|----------------------------------|--|--|---------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$7,040,335 | \$ 8,743,340 | \$ 9,153,219 | \$10,162,143 | 32% |
| Property Tax | 8,466,229 | 9,635,373 | 11,888,389 | 12,655,425 | 40 |
| Federal | 584,487 | 623,213 | 816,775 | 837,194 | 3 |
| Other State | 3,283,697 | 4,357,099 | 5,175,815 | 5,007,783 | 16 |
| Other Local | 3,027,695 | 2,473,428 | 2,802,065 | 2,869,992 | 9 |
| TOTAL REVENUE | 22,402,443 | 25,832,453 | 29,836,263 | 31,532,537 | 100 |
| EXPENDITURES | | | | | |
| Salaries: | | | | | |
| Certificated | 10,296,336 | 11,913,367 | 13,400,984 | 14,269,425 | 46 |
| Classified | 3,772,629 | 4,661,616 | 4,855,256 | 5,076,637 | 16 |
| Employee Benefits | 2,850,016 | 3,416,609 | 4,330,959 | 4,633,270 | 15 |
| Books and Supplies | 1,190,258 | 1,251,779 | 1,496,588 | 1,327,212 | 4 |
| Contract Services and Other Operating Expenses | 2,664,916 | 2,990,850 | 4,043,193 | 4,144,273 | 13 |
| Capital Outlay | 1,419,600 | 628,658 | 1,406,016 | 1,441,838 | 5 |
| Other | 455,173 | 658,268 | (36,500) | (33,000) | 0 |
| TOTAL EXPENDITURES | 22,648,928 | 25,521,147 | 29,496,496 | 30,859,655 | 99 |
| OTHER FINANCING SOURCES/USES | | | | | |
| Interfund Transfers In/Sources | 31,715 | 150,000 | 0 | 0 | 0 |
| Interfund Transfers Out/Uses | (436,870) | (232,654) | (410,133) | (395,133) | 1 |
| Prior Year Adjustment | 337,133 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| TOTAL FINANCING SOURCES/USES | (68,022) | (82,654) | (410,133) | (395,133) | 1 |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | | | | | |
| | (314,507) | 228,652 | (70,366) | 277,749 | |
| FUND BALANCE JUNE 30 | 1,331,180 | 1,016,673 | 1,245,325 | 1,174,959 | |
| FUND BALANCE JULY 1 | \$ 1,016,673 | \$ 1,245,325 | \$ 1,174,959 | \$ 1,452,708 | 5% |

^(a) Derived from Audited Financial Reports.

^(b) District's 2nd Interim Report as of March 13, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: Liberty Union High School District.

Martinez Unified School District

The District's Second Interim Report for fiscal year 2001/02 was certified as "positive".

**MARTINEZ UNIFIED SCHOOL DISTRICT
Revenue, Expenditures and Fund Balances**

| | Actual 1999/00 ^(a) | Actual 2000/01 ^(a) | Estimated Actual 2001/02 ^(b) | Preliminary Budget 2002/03 ^(b) | Percent of Total ^(c) |
|---|----------------------------------|----------------------------------|--|--|---------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources | | | | | |
| State Apportionment | \$4,971,045 | \$ 5,720,925 | \$ 5,498,933 | \$ 5,512,292 | 20% |
| Property Tax | 12,239,221 | 13,461,776 | 14,419,158 | 14,563,350 | 53 |
| Federal | 930,679 | 938,233 | 1,172,775 | 1,193,885 | 4 |
| Other State | 5,114,843 | 5,726,328 | 5,225,833 | 5,319,899 | 19 |
| Other Local | <u>804,768</u> | <u>998,953</u> | <u>721,161</u> | <u>793,277</u> | <u>3</u> |
| TOTAL REVENUE | 24,060,556 | 26,846,215 | 27,037,860 | 27,382,703 | 99 |
| EXPENDITURES | | | | | |
| Salaries: | | | | | |
| Certificated | 13,352,237 | 14,707,830 | 14,719,380 | 15,013,768 | 53 |
| Classified | 3,292,095 | 3,594,308 | 3,742,342 | 3,817,189 | 14 |
| Employee Benefits | 3,231,821 | 3,629,045 | 4,189,377 | 4,273,164 | 15 |
| Books and Supplies | 1,115,218 | 1,388,061 | 1,935,732 | 1,935,569 | 7 |
| Contract Services and Other Expenses | 2,164,562 | 2,632,329 | 3,156,036 | 2,644,153 | 9 |
| Capital Outlay | 570,465 | 398,308 | 406,930 | 358,012 | 1 |
| Other | <u>497,767</u> | <u>568,405</u> | <u>(5,930)</u> | <u>(5,930)</u> | <u>0</u> |
| TOTAL EXPENDITURES | 24,224,165 | 26,918,286 | 28,143,867 | 28,035,925 | 99 |
| OTHER FINANCING SOURCES/USES | | | | | |
| Interfund Transfers In/Sources | 233,922 | 233,025 | 232,153 | 229,950 | 1 |
| Interfund Transfers Out/Uses | (141,171) | (528,960) | (193,809) | (191,606) | 0 |
| Prior Year Adjustment | 0 | 0 | 0 | 0 | 0 |
| Other | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL FINANCING SOURCES/USES | 92,751 | (295,935) | 38,344 | 38,344 | 1 |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | | | | | |
| | (70,858) | (368,006) | (1,067,663) | (614,878) | |
| FUND BALANCE JUNE 30 | <u>2,972,911</u> | <u>2,902,053</u> | <u>2,534,047</u> | <u>1,466,384</u> | |
| FUND BALANCE JULY 1 | <u>\$ 2,902,053</u> | <u>\$ 2,534,047</u> | <u>\$ 1,466,384</u> | <u>\$ 851,506</u> | <u>3%</u> |

^(a) Derived from Audited Financial Reports.

^(b) District's 2nd Interim Report as of March 5, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: Martinez Unified School District.

Oakley Union School District

The District's Second Interim Report for fiscal year 2001/02 was certified as "positive".

**OAKLEY UNION SCHOOL DISTRICT
Revenue, Expenditures and Fund Balances**

| | <u>Actual 1999/00^(a)</u> | <u>Actual 2000/01^(a)</u> | <u>Estimated Actual 2001/02^(b)</u> | <u>Preliminary Budget 2002/03^(b)</u> | <u>Percent of Total^(c)</u> |
|---|---|---|---|---|---------------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$ 9,670,286 | \$10,611,010 | \$10,870,498 | \$11,762,584 | 45% |
| Property Tax | 6,200,333 | 6,835,748 | 6,776,429 | 6,979,722 | 27 |
| Federal | 669,449 | 822,003 | 888,684 | 888,684 | 3 |
| Other State | 5,304,561 | 6,864,698 | 6,471,922 | 5,979,784 | 23 |
| Other Local | <u>696,505</u> | <u>994,369</u> | <u>530,370</u> | <u>498,732</u> | <u>2</u> |
| TOTAL REVENUE | 22,541,134 | 26,127,828 | 25,537,903 | 26,109,506 | 100 |
| EXPENDITURES | | | | | |
| Salaries: | | | | | |
| Certificated | 12,088,901 | 13,854,338 | 14,397,396 | 14,460,497 | 57 |
| Classified | 2,505,702 | 2,838,698 | 3,017,188 | 3,141,846 | 12 |
| Employee Benefits | 2,894,321 | 3,217,600 | 3,891,578 | 3,872,515 | 15 |
| Books, and Supplies | 1,127,699 | 1,368,403 | 1,582,946 | 1,550,000 | 6 |
| Contract Services and Other Expenses | 2,340,818 | 2,578,304 | 2,946,156 | 2,299,166 | 9 |
| Capital Outlay | 358,862 | 1,090,630 | 467,088 | 104,000 | 0 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 64,139 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 6,226 | 0 | 0 | 0 |
| Transfers Out/Other | <u>263,037</u> | <u>311,963</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL EXPENDITURES | 21,579,340 | 25,330,301 | 26,302,352 | 25,428,024 | 100 |
| OTHER FINANCING SOURCES/USES | | | | | |
| Interfund Transfers In/Sources | 2,796 | 2,821,373 | 0 | 0 | |
| Interfund Transfers Out/Uses | (233,340) | (131,097) | (125,000) | (125,000) | 0 |
| Prior Year Adjustment | 0 | | 0 | 0 | 0 |
| Other | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL FINANCING SOURCES/USES | (230,544) | 2,690,276 | (125,000) | (125,000) | 0 |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | | | | | |
| | 731,250 | 3,487,803 | (889,449) | 556,482 | |
| FUND BALANCE JUNE 30 | | | | | |
| | <u>3,110,296</u> | <u>3,841,546</u> | <u>7,329,349</u> | <u>6,439,900</u> | |
| FUND BALANCE JULY 1 | | | | | |
| | <u>\$ 3,841,546</u> | <u>\$ 7,329,349</u> | <u>\$ 6,439,900</u> | <u>\$ 6,996,382</u> | <u>27%</u> |

^(a) Derived from Audited Financial Reports.

^(b) District 2nd Interim Report as of March 7, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: Oakley Union School District.

Pittsburg Unified School District

The District's Second Interim Report for fiscal year 2001/02 was certified as "positive".

**PITTSBURG UNIFIED SCHOOL DISTRICT
Revenue, Expenditures and Fund Balances**

| | Actual 1999/00 ^(a) | Actual 2000/01 ^(a) | Estimated Actual 2001/02 ^(b) | Preliminary Budget 2002/03 ^(b) | Percent of Total ^(c) |
|---|----------------------------------|----------------------------------|--|--|---------------------------------|
| REVENUE | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$24,104,852 | \$26,450,138 | \$27,516,662 | 28,295,280 | 44% |
| Property Tax | 12,645,877 | 14,654,976 | 15,739,877 | 15,739,877 | 24 |
| Federal | 2,808,250 | 2,833,384 | 4,834,431 | 4,921,451 | 8 |
| Other State | 11,675,580 | 16,196,781 | 14,587,586 | 14,875,452 | 23 |
| Other Local | <u>1,269,610</u> | <u>1,212,451</u> | <u>841,330</u> | <u>862,337</u> | <u>1</u> |
| TOTAL REVENUE | 52,504,169 | 61,347,730 | 63,519,886 | 64,694,397 | 100 |
| EXPENDITURES | | | | | |
| Salaries: | | | | | |
| Certificated | 26,409,027 | 30,240,678 | 31,173,573 | 31,119,653 | 47 |
| Classified | 7,731,337 | 9,227,514 | 9,459,461 | 9,192,283 | 14 |
| Employee Benefits | 7,415,764 | 8,337,538 | 10,471,252 | 10,403,423 | 16 |
| Books, and Supplies | 2,551,226 | 3,270,567 | 5,382,934 | 5,207,176 | 8 |
| Contract Services and Other Expenses | 5,351,171 | 6,088,325 | 7,403,986 | 7,506,953 | 11 |
| Capital Outlay | 1,840,949 | 2,715,683 | 1,891,325 | 1,907,725 | 3 |
| Transfers Out/Other | 791,628 | 1,982,842 | (310,208) | (309,229) | 0 |
| Debt Service | 837,460 | 0 | 0 | 0 | 0 |
| Direct Support/Indirect Costs | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL EXPENDITURES | 52,928,562 | 61,863,147 | 65,472,323 | 65,027,984 | 99 |
| OTHER FINANCING SOURCES/USES | | | | | |
| Interfund Transfers In/Sources | 146,354 | 476,270 | 0 | 0 | 0 |
| Interfund Transfers Out/Uses | (396,424) | (401,866) | (673,240) | (781,900) | 1 |
| Other Sources | 138,437 | 439,028 | 0 | 0 | 0 |
| Other Uses | <u>(7,341)</u> | <u>0</u> | <u>(234,358)</u> | <u>(234,358)</u> | <u>0</u> |
| TOTAL FINANCING SOURCES/USES | (118,974) | 513,432 | (907,598) | (1,016,258) | 1 |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | | | | | |
| | (543,367) | (1,985) | (2,860,035) | (1,349,845) | |
| FUND BALANCE JUNE 30 | | | | | |
| | 7,846,661 | 7,303,294 | 6,861,021 | 4,000,986 | |
| Prior Year Audit Adjustment | | | | | |
| | <u>0</u> | <u>(440,288)</u> | <u>0</u> | <u>0</u> | |
| FUND BALANCE JULY 1 | | | | | |
| | <u>\$ 7,303,294</u> | <u>\$ 6,861,021</u> | <u>\$ 4,000,986</u> | <u>\$ 2,651,141</u> | <u>4%</u> |

^(a) Derived from Audited Financial Reports.

^(b) District's 2nd Interim Report as of January 31, 2002.

^(c) Revenue items are shown as a percent of total revenues plus transfers in and other sources. Expenditure items are shown as a percent of total expenditures plus transfers out and other uses. The fund balance is shown as a percent of total expenditures plus transfers out and other uses.

Source: Pittsburg Unified School District.

Estimated Monthly Cash Flows

The General Fund finances the legally authorized activities of the Board not provided for by other restricted funds. General Fund revenues are derived from such sources as taxes, use of money, aid from other governmental agencies, charges for current services, and other revenue.

General Fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the three summer months. Receipts follow an uneven pattern primarily as a result of secured tax installment payments received in December and April.

The estimates of amounts and timing of receipts and disbursements in the tables on the following pages are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved.

The Board and the participating Districts have prepared the accompanying General Fund monthly cash flow statements covering the current fiscal year and projected fiscal year.

EXHIBIT I

District: Contra Costa County Board of Education

2001/2002 ACTUAL CASH FLOW

(Actuals through January 31, 2002, Projected February through June 2002)

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|------------|-----------|-----------|------------|
| BEGINNING BALANCE | 6,547,613 | 9,151,310 | 9,861,523 | 7,437,252 | 2,522,927 | 914,427 | 11,256,689 | 7,137,573 | 5,480,379 | 4,369,864 | 9,945,891 | 8,509,657 | 6,547,613 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCES | 279,824 | 559,280 | 373,100 | 991,304 | 290,652 | 10,879,478 | 497,602 | 353,813 | 338,813 | 9,671,687 | 338,813 | 305,354 | 24,879,720 |
| OTHER RECEIPTS | 1,341,144 | 5,784,546 | 2,267,070 | 2,735,553 | 2,642,622 | 3,177,963 | 2,097,603 | 2,404,797 | 3,256,693 | 3,236,839 | 3,135,015 | 2,644,126 | 34,723,971 |
| NOTE PROCEEDS | 5,029,300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,029,300 |
| TOTAL RECEIPTS | 6,650,268 | 6,343,826 | 2,640,170 | 3,726,857 | 2,933,274 | 14,057,441 | 2,595,205 | 2,758,610 | 3,595,506 | 12,908,526 | 3,473,828 | 2,949,480 | 64,632,991 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 2,377,476 | 3,548,164 | 3,206,631 | 3,115,025 | 3,087,503 | 3,029,029 | 3,062,650 | 3,301,649 | 3,390,796 | 3,390,691 | 3,390,746 | 3,478,755 | 38,379,115 |
| OTHER DISBURSEMENTS | 1,669,095 | 2,085,449 | 1,857,810 | 5,526,157 | 1,454,271 | 686,150 | 1,151,671 | 1,114,155 | 1,315,225 | 1,441,808 | 1,357,267 | 1,453,685 | 21,112,743 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 2,500,000 | 0 | 0 | 2,500,000 | 162,049 | 0 | 5,162,049 |
| TOTAL DISBURSEMENTS | 4,046,571 | 5,633,613 | 5,064,441 | 8,641,182 | 4,541,774 | 3,715,179 | 6,714,321 | 4,415,804 | 4,706,021 | 7,332,499 | 4,910,062 | 4,932,440 | 64,653,907 |
| ENDING BALANCE | 9,151,310 | 9,861,523 | 7,437,252 | 2,522,927 | 914,427 | 11,256,689 | 7,137,573 | 5,480,379 | 4,369,864 | 9,945,891 | 8,509,657 | 6,526,697 | 6,526,697 |

EXHIBIT II

District: Contra Costa County Board of Education

2002/2003 PROJECTED CASH FLOW

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|------------|------------|-----------|-----------|------------|------------|-----------|-----------|------------|-----------|-----------|------------|
| BEGINNING BALANCE | 6,526,697 | 9,449,818 | 10,714,123 | 9,166,615 | 3,980,088 | 2,948,222 | 12,584,873 | 8,042,811 | 7,029,885 | 5,424,484 | 9,951,306 | 9,101,662 | 6,526,697 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 9,942,640 | 0 | 0 | 0 | 8,948,376 | 994,264 | 0 | 19,885,280 |
| STATE APPORTIONMENT | 299,666 | 599,333 | 399,555 | 399,555 | 399,555 | 399,555 | 399,555 | 1,144,684 | 572,342 | 572,342 | 572,342 | 572,342 | 6,330,826 |
| OTHER RECEIPTS | 1,354,695 | 5,596,645 | 2,306,566 | 2,697,860 | 2,616,106 | 3,206,246 | 2,129,357 | 2,451,156 | 2,789,830 | 2,772,531 | 2,730,636 | 2,702,789 | 33,354,416 |
| NOTE PROCEEDS | 5,470,633 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,470,633 |
| TOTAL RECEIPTS | 7,124,994 | 6,195,978 | 2,706,121 | 3,097,415 | 3,015,661 | 13,548,441 | 2,528,912 | 3,595,839 | 3,362,171 | 12,293,248 | 4,297,242 | 3,275,131 | 65,041,155 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 2,482,082 | 3,701,381 | 3,346,590 | 3,251,578 | 3,222,365 | 3,161,609 | 3,196,588 | 3,451,387 | 3,545,361 | 3,545,251 | 3,545,309 | 3,636,774 | 40,086,275 |
| OTHER DISBURSEMENTS | 1,719,792 | 1,230,292 | 907,039 | 5,032,365 | 825,163 | 750,181 | 1,174,385 | 1,157,379 | 1,422,211 | 1,521,175 | 1,440,027 | 1,605,061 | 18,785,069 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 2,700,000 | 0 | 0 | 2,700,000 | 161,550 | 0 | 5,561,550 |
| TOTAL DISBURSEMENTS | 4,201,874 | 4,931,673 | 4,253,629 | 8,283,942 | 4,047,527 | 3,911,790 | 7,070,973 | 4,608,766 | 4,967,572 | 7,766,427 | 5,146,886 | 5,241,835 | 64,432,894 |
| ENDING BALANCE | 9,449,818 | 10,714,123 | 9,166,615 | 3,980,088 | 2,948,222 | 12,584,873 | 8,042,811 | 7,029,885 | 5,424,484 | 9,951,306 | 9,101,662 | 7,134,958 | 7,134,958 |

EXHIBIT I

District: Brentwood Union School District

2001/2002 ACTUAL CASH FLOW

(Actuals through January 31, 2002, Projected February through June 2002)

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 1,906,230 | 3,139,324 | 2,414,319 | 1,416,961 | 344,756 | (418,425) | 1,760,987 | 135,308 | 83,135 | 308,513 | 2,413,751 | 1,483,160 | 1,906,230 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCES | 708,261 | 1,449,939 | 944,349 | 1,090,539 | 919,294 | 4,285,657 | 977,303 | 1,928,535 | 1,087,064 | 5,204,090 | 1,087,063 | 1,308,306 | 20,990,400 |
| OTHER RECEIPTS | 434,413 | 512,482 | 597,427 | 576,598 | 1,118,633 | 263,316 | 1,089,564 | 540,180 | 1,445,479 | 568,737 | 489,152 | 1,322,990 | 8,958,971 |
| NOTE PROCEEDS | 2,715,822 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,715,822 |
| TOTAL RECEIPTS | 3,858,496 | 1,962,421 | 1,541,776 | 1,667,137 | 2,037,927 | 4,548,973 | 2,066,867 | 2,468,715 | 2,532,543 | 5,772,827 | 1,576,215 | 2,631,296 | 32,665,193 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 2,068,354 | 2,336,284 | 2,101,276 | 2,105,218 | 2,372,276 | 2,105,391 | 2,079,739 | 2,103,088 | 2,092,403 | 2,017,500 | 2,085,300 | 2,110,015 | 25,576,844 |
| OTHER DISBURSEMENTS | 557,048 | 351,142 | 437,858 | 634,124 | 428,832 | 264,170 | 262,807 | 417,800 | 214,762 | 300,089 | 334,000 | 112,673 | 4,315,305 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,350,000 | 0 | 0 | 1,350,000 | 87,506 | 0 | 2,787,506 |
| TOTAL DISBURSEMENTS | 2,625,402 | 2,687,426 | 2,539,134 | 2,739,342 | 2,801,108 | 2,369,561 | 3,692,546 | 2,520,888 | 2,307,185 | 3,667,589 | 2,506,806 | 2,222,688 | 32,679,655 |
| ENDING BALANCE | 3,139,324 | 2,414,319 | 1,416,961 | 344,756 | (418,425) | 1,760,987 | 135,308 | 83,135 | 308,513 | 2,413,751 | 1,483,160 | 1,891,768 | 1,891,768 |

EXHIBIT II

District: Brentwood Union School District

2002/2003 PROJECTED CASH FLOW

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 1,891,768 | 4,317,387 | 3,872,942 | 3,106,523 | 2,104,128 | 1,485,118 | 3,790,203 | 1,771,063 | 2,184,468 | 2,556,387 | 3,164,085 | 2,616,295 | 1,891,768 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 3,378,947 | 0 | 0 | 0 | 3,041,052 | 337,895 | 0 | 6,757,893 |
| STATE APPORTIONMENT | 853,950 | 1,707,901 | 1,138,601 | 1,138,601 | 1,138,601 | 1,138,601 | 1,138,601 | 2,502,226 | 1,251,113 | 1,251,113 | 1,251,113 | 1,251,113 | 15,761,534 |
| OTHER RECEIPTS | 686,005 | 771,562 | 858,305 | 840,721 | 1,196,672 | 280,920 | 1,161,729 | 573,834 | 1,546,168 | 601,403 | 519,826 | 743,185 | 9,780,330 |
| NOTE PROCEEDS | 3,748,396 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,748,396 |
| TOTAL RECEIPTS | 5,288,351 | 2,479,463 | 1,996,905 | 1,979,322 | 2,335,273 | 4,798,467 | 2,300,330 | 3,076,061 | 2,797,282 | 4,893,566 | 2,108,834 | 1,994,298 | 36,048,153 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 2,173,059 | 2,455,896 | 2,201,145 | 2,209,069 | 2,488,306 | 2,208,998 | 2,182,066 | 2,206,864 | 2,194,166 | 2,112,819 | 2,186,374 | 2,209,949 | 26,828,712 |
| OTHER DISBURSEMENTS | 689,673 | 468,011 | 562,180 | 772,647 | 465,977 | 284,384 | 287,403 | 455,792 | 231,196 | 323,052 | 359,558 | 318,580 | 5,218,453 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,850,000 | 0 | 0 | 1,850,000 | 110,692 | 0 | 3,810,692 |
| TOTAL DISBURSEMENTS | 2,862,732 | 2,923,907 | 2,763,325 | 2,981,716 | 2,954,283 | 2,493,383 | 4,319,469 | 2,662,657 | 2,425,362 | 4,285,871 | 2,656,623 | 2,528,529 | 35,857,857 |
| ENDING BALANCE | 4,317,387 | 3,872,942 | 3,106,523 | 2,104,128 | 1,485,118 | 3,790,203 | 1,771,063 | 2,184,468 | 2,556,387 | 3,164,085 | 2,616,295 | 2,082,064 | 2,082,064 |

EXHIBIT I

District: John Swett USD

2001/2002 ACTUAL CASH FLOW

(Actuals through January 31, 2002, Projected February through June 2002)

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| BEGINNING BALANCE | 1,782,796 | 3,909,453 | 4,210,943 | 3,546,309 | 3,218,396 | 2,687,753 | 4,577,850 | 3,221,621 | 2,682,717 | 2,137,055 | 2,603,729 | 2,511,336 | 1,782,796 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCES | 217,347 | 453,003 | 301,966 | 468,125 | 264,585 | 2,822,151 | 324,905 | 307,569 | 307,569 | 2,432,056 | 941,473 | 182,767 | 9,023,516 |
| OTHER RECEIPTS | 482,798 | 486,042 | 391,948 | 440,549 | 408,177 | 169,206 | 401,021 | 515,335 | 508,577 | 334,847 | 413,106 | 463,427 | 5,015,032 |
| NOTE PROCEEDS | 2,011,720 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,011,720 |
| TOTAL RECEIPTS | 2,711,865 | 939,045 | 693,914 | 908,674 | 672,762 | 2,991,357 | 725,926 | 822,904 | 816,146 | 2,766,903 | 1,354,579 | 646,194 | 16,050,268 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 286,755 | 317,923 | 852,887 | 877,766 | 913,023 | 866,415 | 873,048 | 888,233 | 888,233 | 926,654 | 934,365 | 1,099,657 | 9,724,959 |
| OTHER DISBURSEMENTS | 298,452 | 319,632 | 505,660 | 358,821 | 290,382 | 234,845 | 209,107 | 473,575 | 473,575 | 373,575 | 447,787 | 577,569 | 4,562,981 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,000,000 | 0 | 0 | 1,000,000 | 64,819 | 0 | 2,064,819 |
| TOTAL DISBURSEMENTS | 585,207 | 637,555 | 1,358,547 | 1,236,587 | 1,203,405 | 1,101,260 | 2,082,155 | 1,361,808 | 1,361,808 | 2,300,229 | 1,446,971 | 1,677,226 | 16,352,759 |
| ENDING BALANCE | 3,909,453 | 4,210,943 | 3,546,309 | 3,218,396 | 2,687,753 | 4,577,850 | 3,221,621 | 2,682,717 | 2,137,055 | 2,603,729 | 2,511,336 | 1,480,304 | 1,480,304 |

EXHIBIT II

District: John Swett USD

2002/2003 PROJECTED CASH FLOW

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| BEGINNING BALANCE | 1,480,304 | 2,749,498 | 2,878,368 | 2,082,882 | 1,252,904 | 712,200 | 2,835,364 | 1,927,232 | 1,811,918 | 1,239,133 | 2,594,961 | 2,310,034 | 1,480,304 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 2,746,526 | 0 | 0 | 0 | 2,471,873 | 274,653 | 0 | 5,493,051 |
| STATE APPORTIONMENT | 211,828 | 423,656 | 282,437 | 282,437 | 282,437 | 282,437 | 282,437 | 462,656 | 231,328 | 231,328 | 231,328 | 231,328 | 3,435,638 |
| OTHER RECEIPTS | 379,121 | 395,050 | 286,520 | 349,975 | 468,813 | 196,741 | 535,161 | 565,215 | 559,073 | 552,964 | 539,538 | 310,172 | 5,138,342 |
| NOTE PROCEEDS | 1,317,004 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,317,004 |
| TOTAL RECEIPTS | 1,907,953 | 818,705 | 568,957 | 632,412 | 751,250 | 3,225,704 | 817,598 | 1,027,871 | 790,401 | 3,256,165 | 1,045,518 | 541,500 | 15,384,035 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 332,668 | 366,943 | 854,713 | 879,112 | 915,422 | 869,324 | 875,912 | 891,124 | 891,124 | 879,192 | 887,037 | 1,105,376 | 9,747,946 |
| OTHER DISBURSEMENTS | 306,091 | 322,893 | 509,730 | 583,277 | 376,532 | 233,216 | 199,818 | 252,062 | 472,062 | 371,145 | 404,517 | 513,647 | 4,544,990 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 650,000 | 0 | 0 | 650,000 | 38,892 | 0 | 1,338,892 |
| TOTAL DISBURSEMENTS | 638,759 | 689,836 | 1,364,443 | 1,462,389 | 1,291,954 | 1,102,540 | 1,725,730 | 1,143,186 | 1,363,186 | 1,900,337 | 1,330,445 | 1,619,023 | 15,631,827 |
| ENDING BALANCE | 2,749,498 | 2,878,368 | 2,082,882 | 1,252,904 | 712,200 | 2,835,364 | 1,927,232 | 1,811,918 | 1,239,133 | 2,594,961 | 2,310,034 | 1,232,511 | 1,232,511 |

EXHIBIT I

District: Lafayette Elementary School District

2001/2002 ACTUAL CASH FLOW

(Actuals through January 31, 2002, Projected February through June 2002)

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 3,537,728 | 6,201,563 | 6,413,186 | 5,197,991 | 4,031,687 | 2,847,682 | 6,378,232 | 3,665,160 | 2,682,880 | 3,272,083 | 5,162,810 | 3,766,515 | 3,537,728 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCE: | 289,663 | 580,826 | 387,217 | 387,217 | 387,217 | 4,016,254 | 385,716 | 744,418 | 1,910,572 | 5,126,878 | 337,690 | 454,755 | 15,008,423 |
| OTHER RECEIPTS | 405,415 | 417,817 | 433,884 | 721,682 | 631,651 | 1,563,505 | 480,108 | 465,487 | 846,500 | 295,987 | 481,860 | 1,095,302 | 7,839,198 |
| NOTE PROCEEDS | 2,816,408 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,816,408 |
| TOTAL RECEIPTS | 3,511,486 | 998,643 | 821,101 | 1,108,899 | 1,018,868 | 5,579,759 | 865,824 | 1,209,905 | 2,757,072 | 5,422,865 | 819,550 | 1,550,057 | 25,664,029 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 634,356 | 544,352 | 1,778,833 | 1,828,142 | 1,829,012 | 1,829,012 | 1,817,126 | 1,829,735 | 1,829,735 | 1,829,735 | 1,817,488 | 1,830,818 | 19,398,344 |
| OTHER DISBURSEMENTS | 213,295 | 242,668 | 257,463 | 447,061 | 373,861 | 220,197 | 361,770 | 362,450 | 338,134 | 302,403 | 307,610 | 294,492 | 3,721,404 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,400,000 | 0 | 0 | 1,400,000 | 90,747 | 0 | 2,890,747 |
| TOTAL DISBURSEMENTS | 847,651 | 787,020 | 2,036,296 | 2,275,203 | 2,202,873 | 2,049,209 | 3,578,896 | 2,192,185 | 2,167,869 | 3,532,138 | 2,215,845 | 2,125,310 | 26,010,495 |
| ENDING BALANCE | 6,201,563 | 6,413,186 | 5,197,991 | 4,031,687 | 2,847,682 | 6,378,232 | 3,665,160 | 2,682,880 | 3,272,083 | 5,162,810 | 3,766,515 | 3,191,262 | 3,191,262 |

EXHIBIT II

District: Lafayette Elementary School District

2002/2003 PROJECTED CASH FLOW**GENERAL FUND**

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 3,191,262 | 4,913,840 | 5,035,501 | 3,749,692 | 2,377,048 | 1,137,448 | 5,547,046 | 3,207,427 | 2,263,169 | 1,325,334 | 3,518,976 | 2,687,777 | 3,191,262 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 4,626,872 | 0 | 0 | 0 | 4,164,185 | 462,687 | 0 | 9,253,744 |
| STATE APPORTIONMENT | 345,281 | 690,562 | 460,374 | 460,374 | 460,374 | 460,374 | 460,374 | 815,428 | 407,714 | 407,714 | 407,714 | 407,714 | 5,783,999 |
| OTHER RECEIPTS | 158,890 | 268,280 | 335,107 | 485,563 | 557,277 | 1,384,883 | 437,922 | 409,790 | 759,495 | 760,066 | 439,750 | 841,267 | 6,838,291 |
| NOTE PROCEEDS | 2,127,468 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,127,468 |
| TOTAL RECEIPTS | 2,631,638 | 958,841 | 795,482 | 945,937 | 1,017,651 | 6,472,129 | 898,297 | 1,225,219 | 1,167,209 | 5,331,965 | 1,310,151 | 1,248,982 | 24,003,502 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 653,322 | 556,950 | 1,795,607 | 1,844,599 | 1,845,444 | 1,845,444 | 1,833,566 | 1,846,161 | 1,846,161 | 1,846,161 | 1,833,925 | 1,847,234 | 19,594,573 |
| OTHER DISBURSEMENTS | 255,738 | 280,230 | 285,685 | 473,982 | 411,808 | 217,088 | 354,349 | 323,315 | 258,884 | 242,163 | 244,600 | 239,340 | 3,587,182 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,050,000 | 0 | 0 | 1,050,000 | 62,825 | 0 | 2,162,825 |
| TOTAL DISBURSEMENTS | 909,060 | 837,180 | 2,081,291 | 2,318,581 | 2,257,251 | 2,062,532 | 3,237,916 | 2,169,476 | 2,105,045 | 3,138,323 | 2,141,350 | 2,086,574 | 25,344,580 |
| ENDING BALANCE | 4,913,840 | 5,035,501 | 3,749,692 | 2,377,048 | 1,137,448 | 5,547,046 | 3,207,427 | 2,263,169 | 1,325,334 | 3,518,976 | 2,687,777 | 1,850,184 | 1,850,184 |

EXHIBIT I

District: LIBERTY UNION HIGH SCHOOL DISTRICT

2001/2002 ACTUAL CASH FLOW

(Actuals through January 31, 2002, Projected February through June 2002)

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 201,655 | 3,762,548 | 3,084,629 | 2,942,951 | 3,515,590 | 2,196,579 | 6,062,561 | 3,465,420 | 2,897,840 | 2,061,282 | 3,654,931 | 1,782,071 | 201,655 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCES | 520,513 | 1,075,765 | 744,854 | 1,047,221 | 646,618 | 5,787,465 | 767,647 | 1,344,531 | 653,097 | 5,167,325 | 679,938 | 2,117,928 | 20,552,902 |
| OTHER RECEIPTS | 504,894 | 967,064 | 484,807 | 1,888,801 | 637,870 | 371,579 | 688,294 | 673,643 | 956,938 | 964,823 | 406,092 | 236,335 | 8,781,140 |
| NOTE PROCEEDS | 4,023,440 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,023,440 |
| TOTAL RECEIPTS | 5,048,847 | 2,042,829 | 1,229,661 | 2,936,022 | 1,284,488 | 6,159,044 | 1,455,941 | 2,018,174 | 1,610,035 | 6,132,148 | 1,086,030 | 2,354,263 | 33,357,482 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 718,907 | 1,782,759 | 1,845,367 | 1,806,497 | 1,984,171 | 1,794,373 | 1,782,110 | 2,019,380 | 1,905,856 | 1,952,488 | 1,922,124 | 2,367,656 | 21,861,688 |
| OTHER DISBURSEMENTS | 769,047 | 937,989 | (474,028) | 556,886 | 619,328 | 498,689 | 290,972 | 566,374 | 540,737 | 586,011 | 907,127 | 1,586,554 | 7,385,686 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 2,000,000 | 0 | 0 | 2,000,000 | 129,639 | 0 | 4,129,639 |
| TOTAL DISBURSEMENTS | 1,487,954 | 2,720,748 | 1,371,339 | 2,363,383 | 2,603,499 | 2,293,062 | 4,053,082 | 2,585,754 | 2,446,593 | 4,538,499 | 2,958,890 | 3,954,210 | 33,377,013 |
| ENDING BALANCE | 3,762,548 | 3,084,629 | 2,942,951 | 3,515,590 | 2,196,579 | 6,062,561 | 3,465,420 | 2,897,840 | 2,061,282 | 3,654,931 | 1,782,071 | 182,124 | 182,124 |

EXHIBIT II

District: LIBERTY UNION HIGH SCHOOL DISTRICT

2002/2003 PROJECTED CASH FLOW

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 182,124 | 3,373,821 | 2,631,889 | 2,253,716 | 2,271,427 | 849,923 | 5,844,230 | 3,255,390 | 2,795,363 | 2,159,429 | 5,043,962 | 3,804,892 | 182,124 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 6,327,713 | 0 | 0 | 0 | 5,694,941 | 632,771 | 0 | 12,655,425 |
| STATE APPORTIONMENT | 549,193 | 1,098,386 | 732,258 | 732,258 | 732,258 | 732,258 | 732,258 | 1,617,759 | 808,879 | 808,879 | 808,879 | 808,879 | 10,162,143 |
| OTHER RECEIPTS | 547,175 | 1,047,075 | 486,465 | 1,819,321 | 645,953 | 394,703 | 697,925 | 693,679 | 1,179,516 | 891,930 | 422,421 | (111,195) | 8,714,969 |
| NOTE PROCEEDS | 3,647,088 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,647,088 |
| TOTAL RECEIPTS | 4,743,456 | 2,145,462 | 1,218,723 | 2,551,579 | 1,378,211 | 7,454,673 | 1,430,182 | 2,311,438 | 1,988,396 | 7,395,751 | 1,864,071 | 697,684 | 35,179,625 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 782,859 | 1,956,151 | 2,024,667 | 1,981,531 | 2,176,986 | 1,968,523 | 1,932,977 | 2,215,177 | 2,091,124 | 2,141,451 | 2,109,396 | 2,598,491 | 23,979,332 |
| OTHER DISBURSEMENTS | 768,900 | 931,244 | (427,772) | 552,337 | 622,729 | 491,843 | 286,046 | 556,288 | 533,205 | 569,767 | 886,046 | 1,504,823 | 7,275,456 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,800,000 | 0 | 0 | 1,800,000 | 107,700 | 0 | 3,707,700 |
| TOTAL DISBURSEMENTS | 1,551,759 | 2,887,395 | 1,596,895 | 2,533,868 | 2,799,715 | 2,460,366 | 4,019,023 | 2,771,465 | 2,624,329 | 4,511,218 | 3,103,142 | 4,103,315 | 34,962,488 |
| ENDING BALANCE | 3,373,821 | 2,631,889 | 2,253,716 | 2,271,427 | 849,923 | 5,844,230 | 3,255,390 | 2,795,363 | 2,159,429 | 5,043,962 | 3,804,892 | 399,261 | 399,261 |

EXHIBIT I

District: Martinez Unified School District
 2001/2002 ACTUAL CASH FLOW
 (Actuals through January 31, 2002, Projected February through June 2002)
 GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 1,538,095 | 5,264,168 | 5,131,073 | 2,933,875 | 2,021,283 | 1,650,081 | 6,492,928 | 3,374,297 | 2,234,330 | 6,466,457 | 2,770,590 | 1,162,012 | 1,538,095 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCES | 351,212 | 702,424 | 468,283 | 956,506 | 871,883 | 7,050,623 | 589,821 | 824,377 | 6,215,862 | 287,868 | 287,868 | 311,364 | 18,918,091 |
| OTHER RECEIPTS | 296,081 | 523,504 | 140,567 | 746,935 | 1,201,892 | 249,471 | 751,608 | 377,048 | 719,982 | 719,982 | 719,982 | 1,908,213 | 8,355,265 |
| NOTE PROCEEDS | 4,023,440 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,023,440 |
| TOTAL RECEIPTS | 4,670,733 | 1,225,928 | 608,850 | 1,703,441 | 2,073,775 | 7,300,094 | 1,341,429 | 1,201,425 | 6,935,844 | 1,007,850 | 1,007,850 | 2,219,577 | 31,296,796 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 602,926 | 633,942 | 2,077,455 | 2,121,358 | 2,132,267 | 2,096,015 | 2,165,009 | 2,074,467 | 2,186,916 | 2,186,916 | 1,956,916 | 1,956,912 | 22,191,099 |
| OTHER DISBURSEMENTS | 341,734 | 725,081 | 728,593 | 494,675 | 312,710 | 361,232 | 295,051 | 266,925 | 516,801 | 516,801 | 529,873 | 1,054,138 | 6,143,614 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 2,000,000 | 0 | 0 | 2,000,000 | 129,639 | 0 | 4,129,639 |
| TOTAL DISBURSEMENTS | 944,660 | 1,359,023 | 2,806,048 | 2,616,033 | 2,444,977 | 2,457,247 | 4,460,060 | 2,341,392 | 2,703,717 | 4,703,717 | 2,616,428 | 3,011,050 | 32,464,352 |
| ENDING BALANCE | 5,264,168 | 5,131,073 | 2,933,875 | 2,021,283 | 1,650,081 | 6,492,928 | 3,374,297 | 2,234,330 | 6,466,457 | 2,770,590 | 1,162,012 | 370,539 | 370,539 |

EXHIBIT II

District: Martinez Unified School District
 2002/2003 PROJECTED CASH FLOW
 GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 370,539 | 5,247,154 | 5,179,429 | 3,020,858 | 1,574,724 | 755,658 | 6,076,703 | 2,511,468 | 1,270,683 | 181,373 | 2,785,570 | 1,931,343 | 370,539 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 7,281,675 | 0 | 0 | 0 | 6,553,508 | 728,168 | 0 | 14,563,350 |
| STATE APPORTIONMENT | 329,936 | 659,872 | 439,915 | 439,915 | 439,915 | 439,915 | 439,915 | 774,304 | 387,152 | 387,152 | 387,152 | 387,152 | 5,512,292 |
| OTHER RECEIPTS | 1,131,768 | 707,310 | 218,663 | 766,538 | 1,237,440 | 256,182 | 765,371 | 384,870 | 1,021,433 | 721,433 | 721,433 | 604,569 | 8,537,011 |
| NOTE PROCEEDS | 4,558,860 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,558,860 |
| TOTAL RECEIPTS | 6,020,564 | 1,367,182 | 658,578 | 1,206,453 | 1,677,355 | 7,977,772 | 1,205,285 | 1,159,174 | 1,408,585 | 7,662,093 | 1,836,753 | 991,721 | 33,171,513 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 637,451 | 669,456 | 2,164,617 | 2,208,217 | 2,218,042 | 2,181,898 | 2,255,363 | 2,160,024 | 2,184,033 | 2,284,033 | 2,020,496 | 2,120,492 | 23,104,121 |
| OTHER DISBURSEMENTS | 506,497 | 765,450 | 652,532 | 444,371 | 278,379 | 474,829 | 265,157 | 239,934 | 313,862 | 523,862 | 535,859 | 582,675 | 5,583,410 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 2,250,000 | 0 | 0 | 2,250,000 | 134,625 | 0 | 4,634,625 |
| TOTAL DISBURSEMENTS | 1,143,949 | 1,434,906 | 2,817,149 | 2,652,587 | 2,496,421 | 2,656,727 | 4,770,520 | 2,399,959 | 2,497,895 | 5,057,895 | 2,690,980 | 2,703,167 | 33,322,156 |
| ENDING BALANCE | 5,247,154 | 5,179,429 | 3,020,858 | 1,574,724 | 755,658 | 6,076,703 | 2,511,468 | 1,270,683 | 181,373 | 2,785,570 | 1,931,343 | 219,896 | 219,896 |

EXHIBIT I

District: Oakley Union Elementary School District

2001/2002 ACTUAL CASH FLOW

(Actuals through January 31, 2002, Projected February through June 2002)

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 4,123,023 | 6,357,331 | 5,812,787 | 4,481,890 | 3,838,589 | 3,532,581 | 4,306,402 | 2,382,522 | 2,928,202 | 3,473,881 | 2,719,561 | 2,685,950 | 4,123,023 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCES | 666,849 | 1,333,698 | 889,132 | 1,048,473 | 859,613 | 2,631,333 | 922,131 | 1,859,140 | 1,859,140 | 1,859,140 | 1,859,140 | 1,859,138 | 17,646,927 |
| OTHER RECEIPTS | 383,926 | 526,536 | 199,674 | 697,739 | 985,408 | 324,917 | 604,026 | 833,751 | 833,751 | 833,751 | 338,726 | 338,722 | 6,900,926 |
| NOTE PROCEEDS | 2,615,236 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,615,236 |
| TOTAL RECEIPTS | 3,666,011 | 1,860,234 | 1,088,806 | 1,746,212 | 1,845,021 | 2,956,250 | 1,526,157 | 2,692,891 | 2,692,891 | 2,692,891 | 2,197,866 | 2,197,860 | 27,163,089 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 1,064,736 | 1,751,821 | 1,791,729 | 1,794,935 | 1,808,679 | 1,788,296 | 1,749,548 | 1,798,863 | 1,798,863 | 1,798,863 | 1,798,863 | 1,798,861 | 20,744,059 |
| OTHER DISBURSEMENTS | 366,967 | 652,957 | 627,974 | 594,578 | 342,350 | 394,133 | 400,489 | 348,348 | 348,348 | 348,348 | 348,348 | 348,350 | 5,121,190 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,300,000 | 0 | 0 | 1,300,000 | 84,265 | 0 | 2,684,265 |
| TOTAL DISBURSEMENTS | 1,431,703 | 2,404,778 | 2,419,703 | 2,389,513 | 2,151,029 | 2,182,429 | 3,450,037 | 2,147,211 | 2,147,211 | 3,447,211 | 2,231,477 | 2,147,211 | 28,549,514 |
| ENDING BALANCE | 6,357,331 | 5,812,787 | 4,481,890 | 3,838,589 | 3,532,581 | 4,306,402 | 2,382,522 | 2,928,202 | 3,473,881 | 2,719,561 | 2,685,950 | 2,736,598 | 2,736,598 |

EXHIBIT II

District: Oakley Union Elementary School District

2002/2003 PROJECTED CASH FLOW

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| BEGINNING BALANCE | 2,736,598 | 4,498,954 | 3,812,831 | 2,101,675 | 1,385,867 | 1,233,304 | 3,825,226 | 2,169,480 | 2,673,709 | 2,265,898 | 3,959,195 | 3,731,823 | 2,736,598 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 3,489,861 | 0 | 0 | 0 | 3,140,875 | 348,986 | 0 | 6,979,722 |
| STATE APPORTIONMENT | 652,230 | 1,304,460 | 869,640 | 869,640 | 869,640 | 869,640 | 869,640 | 1,819,232 | 909,616 | 909,616 | 909,616 | 909,616 | 11,762,584 |
| OTHER RECEIPTS | 498,818 | 622,296 | 299,455 | 833,066 | 1,150,813 | 429,049 | 720,083 | 646,713 | 646,713 | 646,713 | 436,742 | 436,738 | 7,367,200 |
| NOTE PROCEEDS | 2,300,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,300,000 |
| TOTAL RECEIPTS | 3,451,048 | 1,926,756 | 1,169,095 | 1,702,706 | 2,020,453 | 4,788,549 | 1,589,723 | 2,465,945 | 1,556,329 | 4,697,204 | 1,695,344 | 1,346,354 | 28,409,506 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 1,104,284 | 1,816,105 | 1,857,107 | 1,860,074 | 1,874,639 | 1,853,450 | 1,813,088 | 1,746,802 | 1,746,802 | 1,746,802 | 1,746,802 | 1,746,800 | 20,912,755 |
| OTHER DISBURSEMENTS | 584,407 | 796,774 | 1,023,144 | 558,440 | 298,377 | 343,176 | 282,383 | 214,914 | 217,338 | 107,106 | 107,106 | 107,106 | 4,640,269 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,150,000 | 0 | 0 | 1,150,000 | 68,808 | 0 | 2,368,808 |
| TOTAL DISBURSEMENTS | 1,688,691 | 2,612,879 | 2,880,251 | 2,418,514 | 2,173,016 | 2,196,627 | 3,245,470 | 1,961,716 | 1,964,140 | 3,003,908 | 1,922,716 | 1,853,906 | 27,921,833 |
| ENDING BALANCE | 4,498,954 | 3,812,831 | 2,101,675 | 1,385,867 | 1,233,304 | 3,825,226 | 2,169,480 | 2,673,709 | 2,265,898 | 3,959,195 | 3,731,823 | 3,224,271 | 3,224,271 |

EXHIBIT I

District: Pittsburg Unified School District

2001/2002 ACTUAL CASH FLOW

(Actuals through January 31, 2002, Projected February through June 2002)

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|----------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| BEGINNING BALANCE | 6,953,635 | 10,640,965 | 11,593,437 | 9,424,033 | 8,678,587 | 6,715,755 | 10,610,373 | 7,420,246 | 6,544,545 | 4,198,361 | 7,945,159 | 4,824,085 | 6,953,635 |
| RECEIPTS: | | | | | | | | | | | | | |
| REVENUE LIMIT SOURCE | 1,639,196 | 3,278,393 | 2,263,608 | 2,641,918 | 2,117,464 | 8,426,716 | 2,271,782 | 3,892,449 | 1,886,998 | 10,685,017 | 1,849,724 | 2,303,274 | 43,256,539 |
| OTHER RECEIPTS | 896,812 | 1,384,277 | 188,724 | 2,575,120 | 2,581,248 | 683,931 | 1,999,774 | 1,396,815 | 2,274,802 | 1,857,437 | 1,963,315 | 2,461,091 | 20,263,346 |
| NOTE PROCEEDS | 4,526,370 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,526,370 |
| TOTAL RECEIPTS | 7,062,378 | 4,662,670 | 2,452,332 | 5,217,038 | 4,698,712 | 9,110,647 | 4,271,556 | 5,289,264 | 4,161,800 | 12,542,454 | 3,813,039 | 4,764,365 | 68,046,255 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 2,442,552 | 2,455,785 | 4,185,277 | 4,420,840 | 5,556,857 | 4,383,722 | 4,270,930 | 5,013,490 | 5,019,691 | 4,839,114 | 5,094,907 | 3,421,120 | 51,104,285 |
| OTHER DISBURSEMENTS | 932,496 | 1,254,413 | 436,459 | 1,541,644 | 1,104,687 | 832,307 | 940,753 | 1,151,475 | 1,488,293 | 1,706,542 | 1,693,362 | 2,193,204 | 15,275,635 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 2,250,000 | 0 | 0 | 2,250,000 | 145,844 | 0 | 4,645,844 |
| TOTAL DISBURSEMENTS | 3,375,048 | 3,710,198 | 4,621,736 | 5,962,484 | 6,661,544 | 5,216,029 | 7,461,683 | 6,164,965 | 6,507,984 | 8,795,656 | 6,934,113 | 5,614,324 | 71,025,764 |
| ENDING BALANCE | 10,640,965 | 11,593,437 | 9,424,033 | 8,678,587 | 6,715,755 | 10,610,373 | 7,420,246 | 6,544,545 | 4,198,361 | 7,945,159 | 4,824,085 | 3,974,126 | 3,974,126 |

EXHIBIT II

District: Pittsburg Unified School District

2002/2003 PROJECTED CASH FLOW

GENERAL FUND

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|----------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| BEGINNING BALANCE | 3,974,126 | 7,114,517 | 8,190,396 | 6,082,872 | 5,084,467 | 3,298,364 | 8,887,713 | 6,051,080 | 5,456,833 | 3,348,547 | 5,973,546 | 3,959,865 | 3,974,126 |
| RECEIPTS: | | | | | | | | | | | | | |
| PROPERTY TAXES | 0 | 0 | 0 | 0 | 0 | 7,869,939 | 0 | 0 | 0 | 7,082,945 | 786,994 | 0 | 15,739,877 |
| STATE APPORTIONMENT | 1,651,000 | 3,301,999 | 2,201,333 | 2,201,333 | 2,201,333 | 2,201,333 | 2,201,333 | 4,111,872 | 2,055,936 | 2,055,936 | 2,055,936 | 2,055,936 | 28,295,280 |
| OTHER RECEIPTS | 1,589,650 | 2,087,835 | 867,568 | 3,301,504 | 2,632,572 | 697,520 | 2,037,965 | 1,423,943 | 2,319,683 | 1,893,693 | 2,000,573 | 2,506,734 | 23,359,240 |
| NOTE PROCEEDS | 3,849,704 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,849,704 |
| TOTAL RECEIPTS | 7,090,354 | 5,389,835 | 3,068,901 | 5,502,837 | 4,833,905 | 10,768,792 | 4,239,298 | 5,535,815 | 4,375,619 | 11,032,573 | 4,843,503 | 4,562,670 | 71,244,101 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| SALARIES/BENEFITS | 2,420,112 | 2,430,430 | 4,155,831 | 4,386,114 | 5,520,341 | 4,350,413 | 4,240,051 | 4,973,497 | 4,984,666 | 4,804,272 | 5,058,080 | 3,391,551 | 50,715,359 |
| OTHER DISBURSEMENTS | 1,529,852 | 1,883,525 | 1,020,594 | 2,115,128 | 1,099,667 | 829,029 | 935,880 | 1,156,564 | 1,499,238 | 1,703,303 | 1,685,421 | 2,270,682 | 17,728,883 |
| NOTE PAYMENT PLEDGE | 0 | 0 | 0 | 0 | 0 | 0 | 1,900,000 | 0 | 0 | 1,900,000 | 113,683 | 0 | 3,913,683 |
| TOTAL DISBURSEMENTS | 3,949,964 | 4,313,955 | 5,176,425 | 6,501,242 | 6,620,009 | 5,179,442 | 7,075,931 | 6,130,061 | 6,483,905 | 8,407,575 | 6,857,184 | 5,662,233 | 72,357,925 |
| ENDING BALANCE | 7,114,517 | 8,190,396 | 6,082,872 | 5,084,467 | 3,298,364 | 8,887,713 | 6,051,080 | 5,456,833 | 3,348,547 | 5,973,546 | 3,959,865 | 2,860,302 | 2,860,302 |

Debt Structure

Tax and Revenue Anticipation Notes — On July 3, 2001, the Board issued 2001 Tax and Revenue Anticipation Notes (2001 TRANs) in the amount of \$27,600,000, of which \$22,600,000 was distributed to the Districts, and \$5,000,000 was retained by the Board for cash flow needs. The Board and the Districts have deposited all of the principal and interest due on the 2001 TRAN in a repayment account with the County Treasurer. The 2001 TRAN is due on July 2, 2002.

Certificates of Participation — In May 1992, the Board issued Certificates of Participation through the Contra Costa County Public Facilities Corporation as listed below:

| <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rates</u> | <u>Original Issue</u> | <u>Certificates Outstanding June 30, 2001</u> |
|-------------------|----------------------|-----------------------|-----------------------|---|
| April 1, 1992 | Nov. 1, 2008 | 3.5% - 6.3% | \$4,950,000 | \$3,020,000 |

The annual requirements to amortize the 1992 Certificates of Participation outstanding are as follows:

| 1992 Certificates of Participation | | | |
|---|--------------------|------------------|--------------------|
| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2002 | \$ 300,000 | \$177,894 | \$ 477,894 |
| 2003 | 320,000 | 159,482 | 479,482 |
| 2004 | 340,000 | 139,512 | 479,512 |
| 2005 | 365,000 | 117,963 | 482,963 |
| 2006 | 385,000 | 94,657 | 479,657 |
| Thereafter | <u>1,310,000</u> | <u>127,575</u> | <u>1,437,575</u> |
| Total | <u>\$3,020,000</u> | <u>\$817,083</u> | <u>\$3,837,083</u> |

Operating Leases— The County Board of Education has entered into several operating lease agreements whereby they lease facilities for the operation of various programs. The lease terms and frequency of payments varies from lease to lease and include options to extend or be terminated by the contracted parties. The future minimum lease payments are as follows:

| Future Minimum Lease Payments | |
|--------------------------------------|------------------|
| <u>Year Ending June 30,</u> | <u>Payments</u> |
| 2002 | \$346,741 |
| 2003 | 39,666 |
| 2004 | 15,518 |
| 2005 | 3,066 |
| 2006 | 3,066 |
| Thereafter | <u>10,998</u> |
| Total | <u>\$419,055</u> |

Unrestricted Monies Available for Note Repayment

Unrestricted Monies consist of taxes, income, revenue, cash receipts, and other monies intended as receipts for the general fund of the Board and the participating Districts attributable to fiscal year 2002/03 and which are generally available for the payment of current expenses and other obligations of the Board and the participating Districts. The table below gives detail as to the sources of Unrestricted Monies and Note Coverage Ratio. See “THE NOTES — Security for the Notes,” and “— Available Sources of Repayment” herein.

Estimated Unrestricted Monies Available for Note Repayment

| <u>Source</u> | <u>Estimated Amount</u> |
|--------------------------------|-------------------------|
| Cash Balance, July 1, 2002 | \$ 20,353,418 |
| Property Taxes | 91,328,342 |
| State Revenue Limit | 87,044,296 |
| Other Receipts | 103,089,799 |
| Note Proceeds | <u>26,700,000</u> |
| TOTAL SOURCES | <u>\$328,515,855</u> |
| PRINCIPAL PLUS INTEREST NEEDED | \$ 27,179,265 |
| NOTE COVERAGE RATIO | 12.09:1 |

Other Available Funds

The Board and the Districts maintain substantial balances in segregated funds other than their General Fund that are restricted as to use. These funds are not available for working capital expenditures of the type being financed by the Notes and have not been considered in the cash flow analyses. These funds are not pledged to the repayment of the Notes. Generally, however, these funds may be accessed on a temporary basis through District Board action and must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances. The process for accessing special or restricted fund moneys is described in Section 42603 of the Education Code.

FUND BALANCES
The Board and The Districts

| <u>District</u> | <u>Fund</u> | <u>Estimated Balance</u> <u>June 30, 2002</u> | <u>Budgeted Balance</u> <u>June 30, 2003</u> |
|---|-------------------------------------|--|---|
| Brentwood Union School District | Special Reserve | \$ 2,230,000 | \$ 2,230,000 |
| Brentwood Union School District | Special Reserve - Capital Projects | 1,185,000 | 1,185,000 |
| Brentwood Union School District | Capital Facilities (Developer Fees) | 8,500,000 | 2,000,000 |
| John Swett Unified School District | Special Reserve | 44,000 | 44,000 |
| Lafayette Elementary School District | Special Reserve | 3,459,054 | 3,342,671 |
| Liberty Union High School District | Special Reserve | 318,000 | 328,000 |
| Liberty Union High School District | Capital Facilities (Developer Fees) | 2,000,000 | 2,000,000 |
| Martinez Unified School District | Special Reserve | 6,900,000 | 6,900,000 |
| ●akley Union Elementary School District | Special Reserve - Capital Projects | 2,000,000 | 2,000,000 |
| Pittsburg Unified School District | Capital Facilities (Developer Fees) | <u>2,200,000</u> | <u>1,000,000</u> |
| | | <u>\$28,836,054</u> | <u>\$21,029,671</u> |

Availability of Documents

Additional public documents will be made available upon request through the Business Office of the Board. Such public documents include periodic financial reports such as interim reports, approved budget and audited financial statements. See “**INTRODUCTION — Other Information**” herein for contact information.

COUNTY ECONOMIC PROFILE

Introduction

Situated northeast of San Francisco, Contra Costa County is bounded by San Francisco and San Pablo bays, the Sacramento River delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County’s heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part of the County is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities — ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The following table summarizes population figures for Contra Costa County.

CONTRA COSTA COUNTY Population

| <u>Year</u> | <u>Contra Costa County</u> |
|-------------|----------------------------|
| 1997 | 887,100 |
| 1998 | 906,500 |
| 1999 | 924,400 |
| 2000 | 955,900 |
| 2001 | 965,100 |
| 2002 | 981,600 |

Source: Adjusted January 1 estimates provided by the State Department of Finance.

Employment

The following table summarizes historical employment and unemployment in the Oakland Metropolitan Statistical Area, comprised of Alameda and Contra Costa Counties.

OAKLAND MSA Civilian Labor Force, Employment and Unemployment Annual Averages

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Civilian Labor Force ^(a) | | | | | |
| Employment | 1,121,200 | 1,141,200 | 1,170,200 | 1,207,500 | 1,214,100 |
| Unemployment | <u>50,300</u> | <u>46,600</u> | <u>39,700</u> | <u>35,500</u> | <u>50,600</u> |
| Total | <u>1,171,500</u> | <u>1,187,800</u> | <u>1,209,900</u> | <u>1,243,100</u> | <u>1,264,700</u> |
| Unemployment Rate ^(b) | 4.3% | 3.9% | 3.3% | 2.9% | 4.0% |

^(a) Based on place of residence; March 2001 Benchmark.

^(b) The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department, Labor Market Information Division

The following table summarizes the historical numbers of workers by industry in the Oakland Metropolitan Statistical Area.

OAKLAND MSA
Estimated Number of Wage and Salary Workers by Industry^(a)
(in thousands)

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|-----------------------------------|----------------|----------------|------------------|------------------|------------------|
| Agricultural | 2,100 | 1,900 | 2,300 | 3,000 | 3,200 |
| Mining | 2,100 | 1,900 | 2,400 | 2,000 | 2,000 |
| Construction | 50,000 | 54,100 | 60,400 | 65,400 | 69,700 |
| Manufacturing | 120,100 | 121,300 | 117,600 | 123,200 | 121,400 |
| Transportation & Public Utilities | 60,900 | 62,500 | 63,300 | 63,900 | 64,100 |
| Wholesale Trade | 59,100 | 63,000 | 67,100 | 67,200 | 67,800 |
| Retail Trade | 153,200 | 157,300 | 164,100 | 168,500 | 170,400 |
| Finance, Insurance & Real Estate | 54,600 | 55,400 | 57,000 | 57,800 | 59,100 |
| Services | 279,900 | 291,800 | 303,000 | 320,000 | 325,500 |
| Government | <u>167,900</u> | <u>168,900</u> | <u>173,000</u> | <u>176,600</u> | <u>178,800</u> |
| Total All Industries | <u>949,900</u> | <u>978,100</u> | <u>1,010,200</u> | <u>1,047,600</u> | <u>1,062,000</u> |

^(a) Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding. March 2001 Benchmark.

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

Major Employers

The following table summarizes the major employers in the East Bay, comprising both Alameda and Contra Costa Counties.

ALAMEDA/CONTRA COSTA COUNTIES (EAST BAY) Major Employers

| <u>Employer</u> | <u>Product/Service</u> | <u>Number of Employees^(a)</u> |
|--|-----------------------------------|--|
| Kaiser Permanente | Managed health care | 22,500 |
| United States Postal Service | Mail service | 20,000* |
| Pacific Gas and Electric Co. | Gas and electric service provider | 12,610 |
| University of California, Berkeley | University | 12,500 |
| Pacific Bell | Global communications | 11,800 |
| Oakland Unified School District | Public schools | 9,960 |
| University of California | Education | 9,795 |
| Contra Costa County | County government | 9,000 |
| Alameda County | County government | 8,555 |
| Safeway, Inc. | Supermarket retailer | 8,100* |
| Lawrence Livermore National Laboratory | Scientific research, development | 8,001 |
| Chevron Corp. | Energy | 6,349 |
| City of Oakland | City government | 4,700 |
| New United Motor Manufacturing Inc. | Automobile manufacturer | 4,700 |
| Lawrence Berkeley National Laboratory | National laboratory | 4,200 |
| John Muir/Mount Diablo Health System | Health care | 4,104 |
| Wells Fargo & Co. | Financial services | 4,010 |
| Bay Area Rapid Transit (BART) | Commuter rail, transportation | 3,500 |
| Mount Diablo Unified School District | Education | 3,500 |
| Fremont Unified School District | Education | 3,000 |

*Approximate

Source: "Book of Lists 2001", *San Francisco Business Times*.

Construction Activity

The following table summarizes historical residential building permit valuation for Contra Costa County.

| CONTRA COSTA COUNTY | | |
|--|--|--|
| Building Permit Valuation^(a) | | |
| (Dollars in Thousands) | | |
| <u>Year^(b)</u> | <u>Residential Units^(c)</u> | <u>Residential Valuation^(d)</u> |
| 1997 ^(d) | 3,464 | \$ 608,342 |
| 1998 ^(d) | 4,142 | 738,939 |
| 1999 ^(d) | 4,413 | 852,256 |
| 2000 ^(d) | 5,479 | 965,154 |
| 2001 ^(d) | 4,539 | 894,892 |

^(a) Non-residential and total valuation not available.

^(b) As of January 1.

^(c) Does not include alterations and additions.

^(d) Includes all residential building activity.

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

Commercial Activity

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

| CONTRA COSTA COUNTY | | |
|-------------------------------|----------------|-----------------------------|
| Taxable Transactions | | |
| (Dollars in Thousands) | | |
| <u>Year</u> | <u>Outlets</u> | <u>Taxable Transactions</u> |
| 1996 | 24,326 | \$ 8,575,704 |
| 1997 | 23,643 | 9,277,418 |
| 1998 | 23,093 | 10,093,690 |
| 1999 | 22,733 | 11,114,476 |
| 2000 | 22,674 | 12,330,560 |

Source: State Board of Equalization.

Effective Buying Income

Effective Buying Income (EBI) is defined as money income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table summarizes historical median household EBI for Contra Costa County, the State and the United States of America.

CONTRA COSTA COUNTY, STATE OF CALIFORNIA, AND THE UNITED STATES OF AMERICA Median Household Effective Buying Income

| <u>Year^(a)</u> | <u>Contra Costa County</u> | <u>State of California</u> | <u>United States of America</u> |
|---------------------------|----------------------------|----------------------------|---------------------------------|
| 1997 | 46,468 | 35,216 | 33,482 |
| 1998 | 48,476 | 36,483 | 34,618 |
| 1999 | 49,645 | 37,091 | 35,377 |
| 2000 | 53,234 | 39,492 | 37,233 |
| 2001 | 60,189 | 44,464 | 39,129 |

^(a) As of January 1.

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

LEGAL MATTERS

Tax Matters

In the opinion of Quint & Thimmig, LLP, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on certain corporations such interest is taken into account in determining certain income and earnings.

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

Purchasers should be aware that the Internal Revenue Service has issued Notice 94-84 which may have federal income tax consequences with respect to the Notes. This Notice provides generally that, in the case of short-term tax-exempt obligations (such as the Notes), the Internal Revenue Service is studying whether interest payable at maturity on the obligations should, or should not, be included in stated redemption price at maturity, for purposes of the rule that original issue discount represents the excess of stated redemption price at maturity over issue price.

Notice 94-84 states that, until the Internal Revenue Service provides further guidance, taxpayers may treat stated interest on certain short-term obligations, such as the Notes, either as includible in stated redemption price at maturity or as not included in stated redemption price at maturity. A taxpayer, however, must treat stated interest payable at maturity on all short-term tax-exempt bonds in a consistent manner. A short-term tax-exempt bond is defined as a tax-exempt bond with a term that is not more than one year from the date of issue.

Purchasers of the Notes are cautioned that the opinion of Bond Counsel does not identify the amount of interest that is excluded from gross income for federal income tax purposes.

Purchasers of the Notes should consult their tax advisors regarding effects of Notice 94-84 upon individual tax circumstances.

In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxation.

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

No Litigation

No litigation is pending concerning the validity of the Notes, and a certificate or certificates to that effect will be furnished to the Purchaser at the time of the original delivery of the Notes. The Board is not aware of any litigation pending or threatened questioning the political existence of the Board or contesting the Board's ability to receive *ad valorem* taxes or to collect other revenues or contesting the Board's ability to issue and retire the Notes.

Legality for Investment in California

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

Legal Opinion

The validity of the Notes and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

MISCELLANEOUS

Rating

Standard & Poor's has assigned its municipal note rating of "SP-1+" to the Notes. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same at the following address: Standard & Poor's Ratings Services, 55 Water Street, 38th Floor, New York, New York, 10041.

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

Underwriting

Pursuant to the terms of a public bid held on June 5, 2002, Banc of America Securities, LLC, as Underwriter, (the "Underwriter"), has agreed to purchase the Notes from the Board at the purchase price of \$27,049,237. The Underwriter has represented to the Board that the Notes were reoffered to the public at the price or yield set forth on the cover page of this Official Statement, at an aggregate reoffering price of \$27,066,858. The Underwriter will be obligated to take and pay for all of the Notes, if any Note is purchased.

Closing Papers

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

- (a) The opinion of Quint & Thimmig, LLP, San Francisco, California, Bond Counsel, substantially in the form attached as **APPENDIX A** hereto;
- (b) The tax certificate of the Board containing certifications and covenants relied upon by Bond Counsel in rendering its opinion that the interest on the Notes is exempt from federal income taxation;
- (c) The certificate on behalf of the Board certifying that there is no litigation pending affecting the validity of the Notes;
- (d) The Certificate of an appropriate Board official, acting on behalf of the Board solely in his or her official and not in his or her personal capacity, certifying that at the time of the sale of the Notes and at all times subsequent thereto up to and including the time of delivery of the Notes to the initial purchasers thereof, to the best knowledge and belief of said Official, this Official Statement (excluding the description of the DTC and its book-entry system, information provided by the Underwriter relating to the underwriting and the reoffering of the Notes, and

information relating to the investment of Board funds, provided by the County Treasurer-Tax Collector), did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

- (e) The signature certificate of the officials of the Board certifying that said officials have signed the Notes, whether by facsimile or manual signature, and that they were respectively duly authorized to do so; and
- (f) The receipt of the Board for the purchase price of the Notes.
- (g) The Continuing Disclosure Certificate of the Board in substantially the form shown in **APPENDIX B** attached hereto.

Financial Advisor

The Board has entered into an agreement with Kelling, Northcross & Nobriga, A Division of Zions First National Bank (the “Financial Advisor”), whereunder the Financial Advisor provides financial recommendations and guidance to the Board with respect to preparation for sale of the Notes, timing of sale, tax-exempt bond market conditions, costs of issuance, and other factors related to the sale of the Notes. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and has supervised the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the Board, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

Continuing Disclosure

The Board has covenanted, for the benefit of the holders and beneficial owners of the Notes, to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the Board with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the notices of material events is set forth below under the caption “**APPENDIX B — Form of Continuing Disclosure Certificate.**” These covenants have been made in order to assist the purchasers in complying with S.E.C. Rule 15c2-12(b)(5). The Board has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. Quotations from and summaries and explanations of the Notes, the Resolution providing for issuance of the Notes, and the documents, statutes and constitutional provisions referenced herein, do not purport to be complete, and reference is made to said documents, statutes, and constitutional provisions for full and complete statements of their provisions. This Official Statement has been reviewed and approved by the Board.

Copies of documents referred to herein and information concerning the Notes are available from the Associate Superintendent, Business Services, Contra Costa County Office of Education, 77 Santa Barbara Road, Pleasant Hill, CA 94523, telephone (925) 942-3388. The Board may charge a fee for copying, mailing and handling.

CONTRACOSTA COUNTY BOARD OF EDUCATION

By: /s/ Ellen Elster
Deputy Superintendent

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APPENDIX A

FORM OF LEGAL OPINION

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APPENDIX A
FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Contra Costa County Board of Education
77 Santa Barbara Road
Pleasant Hill, California 94523

OPINION: \$26,700,000* Contra Costa County Board of Education (Contra Costa County, California)
2002 Tax and Revenue Anticipation Notes

Members of the Board of Education:

We have acted as bond counsel in connection with the issuance by the Contra Costa County Board of Education (the "Board"), of \$26,700,000* Contra Costa County Board of Education (Contra Costa County, California) 2002 Tax and Revenue Anticipation Notes, dated July 2, 2002 (the "Notes"), pursuant to Article 7.6 (commencing with section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Act"), and Resolution No. 9-01/02 of the Board, entitled "Resolution of the Contra Costa County Board of Education Providing for the Borrowing of Funds for Fiscal Year 2002/2003 and the Issuance and Sale of 2002 Tax and Revenue Anticipation Notes Therefor," adopted on May 15, 2002 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The Board is a duly created and validly existing political subdivision with the power to adopt the Resolution, perform the agreements on its part contained therein and to issue the Notes.
2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable upon the Board.
3. Pursuant to the Act, the Resolution creates a valid lien on funds pledged by the Resolution for the security of the Notes, subject to no prior lien granted under the Act.
4. The Notes have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the Board.
5. The interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the

alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Board comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Board has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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

The rights of the holders of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX B
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the CONTRA COSTA COUNTY BOARD OF EDUCATION (the "Board") in connection with the issuance of \$26,700,000* Contra Costa County Board of Education (Contra Costa County, California) 2002 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Contra Costa County Board of Education on May 15, 2002 (the "Resolution"). The Board covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

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

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Board shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

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

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

Section 4. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Board shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. Dissemination Agent. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure

Certificate. If the Board chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Board agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: [Closing Date]

CONTRA COSTA COUNTY BOARD OF
EDUCATION

By _____
Superintendent

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APPENDIX C

**EXCERPTS FROM AUDITED FINANCIAL STATEMENTS
DATED JUNE 30, 2001**

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CONTRA COSTA COUNTY OFFICE OF EDUCATION
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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**CONTRA COSTA COUNTY
OFFICE OF EDUCATION**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2001**

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CONTRA COSTA COUNTY OFFICE OF EDUCATION
 OF CONTRA COSTA COUNTY
 PLEASANT HILL, CALIFORNIA
 JUNE 30, 2001

BOARD OF EDUCATION

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|-------------------------|----------------|---------------------|
| Pamela Mirabella | President | 2004 |
| Glenn A. Ruley | Vice President | 2002 |
| Daniel L. Borsuk | Clerk | 2002 |
| Cheryll A. LeMay, Ed.D. | Member | 2002 |
| Daniel A. Gomes | Member | 2004 |

ADMINISTRATION

| | |
|------------------------|---|
| Joseph A. Ovick, Ed.D. | Superintendent |
| Ellen M. Elster | Deputy Superintendent |
| Ray Penning | Associate Superintendent, Student Programs and Services |
| Susan Magnone, Ph.D. | Assistant Superintendent, Curriculum and Instruction |
| Holly Brownscombe | Director, Human Resources |
| Peggy Marshburn | Director, School and Community Relations |

ORGANIZATION

The Contra Costa County Office of Education was established in 1865 and is comprised of an area of approximately 732 square miles located in Contra Costa County. There were no changes in the boundaries of the Contra Costa County Office of Education during the current year. The County Office of Education serves nine elementary school districts, seven unified school districts, two high school districts, and one community college district.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
TABLE OF CONTENTS
 JUNE 30, 2001

SECTION I - GENERAL-PURPOSE FINANCIAL STATEMENTS

| | |
|--|------------|
| Independent Auditors' Report | I.1 |
| All Fund Types and Account Groups Combined Balance Sheet | I.2 |
| All Governmental Fund Types Combined Statement of Revenues, Expenditures and Changes in Fund Balance Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | I.3 I.4 |
| Notes to Financial Statements | I.6 |

SECTION II - COMBINING FINANCIAL STATEMENTS

| | |
|---|--------------|
| Capital Projects Funds Combining Balance Sheet | II.1 II.2 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | II.2 II.3 |

SECTION III - SUPPLEMENTARY INFORMATION

| | |
|--|-------|
| Schedule of Expenditures of Federal Awards | III.1 |
| Schedule of Average Daily Attendance | III.2 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | III.3 |
| Schedule of Financial Trends and Analysis | III.4 |
| Note to Supplementary Information | III.5 |

SECTION IV - INDEPENDENT AUDITORS' REPORTS

| | |
|--|------|
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | IV.1 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | IV.3 |
| Report on State Compliance | IV.5 |

SECTION V - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| | |
|---|-----|
| Summary of Auditors' Results | V.1 |
| Financial Statement Findings | V.2 |
| Federal Award Findings and Questioned Costs | V.3 |
| State Award Findings and Questioned Costs | V.4 |
| Summary Schedule of Prior Audit Findings | V.5 |



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Education
Contra Costa County Office of Education
Pleasant Hill, California

We have audited the accompanying general-purpose and combining financial statements of the Contra Costa County Office of Education, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the Contra Costa County Office of Education at June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001, on our consideration of Contra Costa County Office Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
October 31, 2001

L 1

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO • SAN JOSE

CONTRA COSTA COUNTY OFFICE OF EDUCATION

ALL FUND TYPES AND ACCOUNT GROUPS
 COMBINED BALANCE SHEET
 JUNE 30, 2001

| | Governmental Fund Types | | | Fiduciary Fund Types | Account Group | | Total (Memorandum Only) |
|---|--------------------------|--------------------|---------------------|-------------------------|----------------------------|------------------------------|-------------------------------|
| | County School Service | Special Revenue | Capital Projects | Agency | General Fixed Assets | General Long-Term Debt | |
| ASSETS | | | | | | | |
| Cash | \$ 75,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 75,000 |
| Investments | 6,472,613 | 627,936 | 152,142 | 97,109 | - | - | 7,349,800 |
| Accounts receivable | 5,708,322 | 2,775 | 82 | - | - | - | 5,711,179 |
| Due from other funds | - | - | 35,232 | - | - | - | 35,232 |
| Stores inventory | 126,041 | - | - | - | - | - | 126,041 |
| Prepaid expenditures | 32,146 | - | - | - | - | - | 32,146 |
| Other current assets | 8,331 | - | - | - | - | - | 8,331 |
| Fixed assets | | | | | | | |
| Land and buildings | - | - | - | - | 16,819,863 | - | 16,819,863 |
| Equipment | - | - | - | - | 9,847,208 | - | 9,847,208 |
| Vehicles | - | - | - | - | 712,263 | - | 712,263 |
| Amount available for the retirement of general long-term debt | - | - | - | - | - | 526,397 | 526,397 |
| Amount to be provided for the retirement of general long-term debt | - | - | - | - | - | 3,617,694 | 3,617,694 |
| Total Assets | \$ 12,422,453 | \$ 630,711 | \$ 187,456 | \$ 97,109 | \$ 27,379,334 | \$ 4,144,091 | \$ 44,861,154 |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| Deficit cash balances | - | - | 17,576 | - | - | - | 17,576 |
| Accounts payable | 6,298,906 | - | 10,694 | - | - | - | 6,309,600 |
| Due to other funds | - | - | 35,232 | - | - | - | 35,232 |
| Deferred revenue | 1,635,525 | - | - | - | - | - | 1,635,525 |
| Due to student groups | - | - | - | 97,109 | - | - | 97,109 |
| Other current liabilities | 5,364 | - | - | - | - | - | 5,364 |
| General long-term debt | - | - | - | - | - | 4,144,091 | 4,144,091 |
| Total Liabilities | 7,939,795 | - | 63,502 | 97,109 | - | 4,144,091 | 12,244,497 |
| FUND EQUITY | | | | | | | |
| Investments in general fixed assets | - | - | - | - | 27,379,334 | - | 27,379,334 |
| Fund balances | | | | | | | |
| Reserved | 188,187 | - | - | - | - | - | 188,187 |
| Unreserved | | | | | | | |
| Designated | 4,294,471 | 630,711 | 106,216 | - | - | - | 5,031,398 |
| Undesignated | - | - | 17,738 | - | - | - | 17,738 |
| Total Fund Equity | 4,482,658 | 630,711 | 123,954 | - | 27,379,334 | - | 32,616,657 |
| Total Liabilities and Fund Equity | \$ 12,422,453 | \$ 630,711 | \$ 187,456 | \$ 97,109 | \$ 27,379,334 | \$ 4,144,091 | \$ 44,861,154 |

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

CONTRA COSTA COUNTY OFFICE OF EDUCATION

ALL GOVERNMENTAL FUND TYPES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2001

| | Governmental Fund Types | | | Total |
|---|--------------------------|--------------------|---------------------|----------------------|
| | County School Service | Special Revenue | Capital Projects | (Memorandum Only) |
| REVENUES | | | | |
| Revenue Limit Sources | | | | |
| State apportionments | \$ 4,248,254 | \$ - | \$ - | \$ 4,248,254 |
| Local sources | 19,849,391 | - | - | 19,849,391 |
| Total Revenue Limit Sources | 24,097,645 | - | - | 24,097,645 |
| Federal revenues | 3,558,799 | - | - | 3,558,799 |
| Other state revenues | 22,300,898 | 223,752 | 215,712 | 22,740,362 |
| Other local revenues | 2,530,669 | 34,697 | 1,351 | 2,566,717 |
| Tuition and transfers | 1,975,013 | - | - | 1,975,013 |
| Total Revenues | 54,463,024 | 258,449 | 217,063 | 54,938,536 |
| EXPENDITURES | | | | |
| Current Expenditures | | | | |
| Certificated salaries | 17,381,147 | - | - | 17,381,147 |
| Classified salaries | 11,962,158 | - | - | 11,962,158 |
| Employee benefits | 5,902,189 | - | - | 5,902,189 |
| Books and supplies | 1,921,838 | - | - | 1,921,838 |
| Services and operating expenditures | 13,938,396 | 241,347 | - | 14,179,743 |
| Other outgo | 1,501,461 | - | - | 1,501,461 |
| Capital outlay | 1,765,247 | 75,542 | 117,883 | 1,958,672 |
| Debt service - principal | 285,000 | - | - | 285,000 |
| Debt service - interest and other | 194,491 | - | - | 194,491 |
| Total Expenditures | 54,851,927 | 316,889 | 117,883 | 55,286,699 |
| EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES | (388,903) | (58,440) | 99,180 | (348,163) |
| OTHER FINANCING SOURCES/(USES) | | | | |
| Operating transfers in | 69,705 | 242,051 | - | 311,756 |
| Operating transfers out | (311,756) | - | - | (311,756) |
| Total Other Financing Sources/(Uses) | (242,051) | 242,051 | - | - |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES | (630,954) | 183,611 | 99,180 | (348,163) |
| FUND BALANCE, BEGINNING OF YEAR | 5,113,612 | 447,100 | 24,774 | 5,585,486 |
| FUND BALANCE, END OF YEAR | \$ 4,482,658 | \$ 630,711 | \$ 123,954 | \$ 5,237,323 |

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

CONTRA COSTA COUNTY OFFICE OF EDUCATION

ALL GOVERNMENTAL FUND TYPES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2001

| | County School Service | | | Special Revenue | | | Capital Projects | | |
|---|-----------------------|--------------|----------------------------------|-----------------|------------|----------------------------------|------------------|-----------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | | | | |
| Revenue Limit Sources | | | | | | | | | |
| State apportionments | \$ 4,804,913 | \$ 4,248,254 | \$ (556,659) | | | | | | |
| Local sources | 20,034,530 | 19,849,391 | (185,139) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Revenue Limit Sources | 24,839,443 | 24,097,645 | (741,798) | - | - | - | - | - | - |
| Federal revenues | 4,433,377 | 3,558,799 | (874,578) | - | - | - | - | - | - |
| Other state revenues | 23,601,962 | 22,300,898 | (1,301,064) | - | - | - | - | - | - |
| Other local revenues | 2,652,861 | 2,530,669 | (122,192) | 234,102 | 223,752 | (10,350) | - | - | - |
| Tuition and transfers | 2,061,222 | 1,975,013 | (86,209) | 7,999 | 34,697 | 26,698 | - | 1,351 | 1,351 |
| Total Revenues | 57,588,865 | 54,463,024 | (3,125,841) | 242,101 | 258,449 | 16,348 | - | 1,351 | 1,351 |
| EXPENDITURES | | | | | | | | | |
| Current Expenditures | | | | | | | | | |
| Certificated salaries | 17,550,907 | 17,381,147 | 169,760 | - | - | - | - | - | - |
| Classified salaries | 12,354,078 | 11,962,158 | 391,920 | - | - | - | - | - | - |
| Employee benefits | 6,155,525 | 5,902,189 | 253,336 | - | - | - | - | - | - |
| Books and supplies | 2,547,325 | 1,921,838 | 625,487 | - | - | - | - | - | - |
| Services and operating expenditures | 14,941,951 | 13,938,396 | 1,003,555 | - | - | - | - | - | - |
| Other outgo | 1,462,308 | 1,501,461 | (39,153) | 490,397 | 241,347 | 249,050 | - | - | - |
| Capital outlay | 1,903,540 | 1,765,247 | 138,293 | - | - | - | 24,744 | 8,387 | 16,357 |
| Debt service - principal | 285,000 | 285,000 | - | 80,000 | 75,542 | 4,458 | - | - | - |
| Debt service - interest and other | 195,655 | 194,491 | 1,164 | - | - | - | - | - | - |
| Total Expenditures | 57,396,289 | 54,851,927 | 2,544,362 | 570,397 | 316,889 | 253,508 | 24,744 | 8,387 | 16,357 |
| EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES | 192,576 | (388,903) | (581,479) | (328,296) | (58,440) | 269,856 | (24,744) | (7,036) | 17,708 |
| OTHER FINANCING SOURCES/(USES) | | | | | | | | | |
| Operating transfers in | 82,326 | 69,705 | (12,621) | - | - | - | - | - | - |
| Operating transfers out | (316,412) | (311,756) | 4,656 | 234,102 | 242,051 | 7,949 | - | - | - |
| Total Other Financing Sources/(Uses) | (234,086) | (242,051) | (7,965) | 234,102 | 242,051 | 7,949 | - | - | - |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES | (41,510) | (630,954) | (589,444) | (94,194) | 183,611 | 277,805 | (24,744) | (7,036) | 17,708 |
| FUND BALANCE, BEGINNING OF YEAR | 5,113,612 | 5,113,612 | - | 447,100 | 447,100 | - | 24,774 | 24,774 | - |
| FUND BALANCE, END OF YEAR | \$ 5,072,102 | \$ 4,482,658 | \$ (589,444) | \$ 352,906 | \$ 630,711 | \$ 277,805 | \$ 30 | \$ 17,738 | \$ 17,708 |

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

CONTRA COSTA COUNTY OFFICE OF EDUCATION

ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001

| | Total (Memorandum Only) | | Variance Favorable (Unfavorable) |
|---|-------------------------|--------------|--|
| | Budget | Actual | |
| REVENUES | | | |
| Revenue Limit Sources | | | |
| State apportionments | \$ 4,804,913 | \$ 4,248,254 | \$ (556,659) |
| Local sources | 20,034,530 | 19,849,391 | (185,139) |
| Total Revenue Limit Sources | 24,839,443 | 24,097,645 | (741,798) |
| Federal revenues | 4,433,377 | 3,558,799 | (874,578) |
| Other state revenues | 23,836,064 | 22,524,650 | (1,311,414) |
| Other local revenues | 2,660,860 | 2,566,717 | (94,143) |
| Tuition and transfers | 2,061,222 | 1,975,013 | (86,209) |
| Total Revenues | 57,830,966 | 54,722,824 | (3,108,142) |
| EXPENDITURES | | | |
| Current Expenditures | | | |
| Certificated salaries | 17,550,907 | 17,381,147 | 169,760 |
| Classified salaries | 12,354,078 | 11,962,158 | 391,920 |
| Employee benefits | 6,155,525 | 5,902,189 | 253,336 |
| Books and supplies | 2,547,325 | 1,921,838 | 625,487 |
| Services and operating expenditures | 15,432,348 | 14,179,743 | 1,252,605 |
| Other outgo | 1,462,308 | 1,501,461 | (39,153) |
| Capital outlay | 2,008,284 | 1,849,176 | 159,108 |
| Debt service - principal | 285,000 | 285,000 | - |
| Debt service - interest and other | 195,655 | 194,491 | 1,164 |
| Total Expenditures | 57,991,430 | 55,177,203 | 2,814,227 |
| EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES | (160,464) | (454,379) | (293,915) |
| OTHER FINANCING SOURCES/(USES) | | | |
| Operating transfers in | 316,428 | 311,756 | (4,672) |
| Operating transfers out | (316,412) | (311,756) | 4,656 |
| Total Other Financing Sources/(Uses) | 16 | - | (16) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES | (160,448) | (454,379) | (293,931) |
| FUND BALANCE, BEGINNING OF YEAR | 5,585,486 | 5,585,486 | - |
| FUND BALANCE, END OF YEAR | \$ 5,425,038 | \$ 5,131,107 | \$ (293,931) |

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

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Contra Costa County Office of Education (the "County Office of Education") conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Contra Costa County Office of Education accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The County Office of Education includes all funds and account groups that are controlled by or dependent on the County Office of Education's governing board for financial reporting purposes. The County Office of Education has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The County Office of Education determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Fund Accounting

The accounts of the County Office of Education are organized on the basis of funds or account groups, 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 balance, revenues, and expenditures (or expenses), as appropriate. County Office of Education resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County Office of Education accounts are organized into fund types and account groups as follows:

Governmental Funds

- County School Service Fund is the general operating fund of the County Office of Education. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Fund is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. The County Office of Education operates the Deferred Maintenance fund as a special revenue fund.
- Capital Projects Fund is used to account for the acquisition and/or construction of all major governmental general fixed assets. The County Office of Education operates the State School Building Lease-Purchase and County School Facilities funds as capital projects funds.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

Fiduciary Funds

- Agency Funds are used to account for assets of others for which the County Office of Education acts as agent. The County Office of Education operates two agency funds, the School Payroll Trust and the Donations fund.

Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the fixed assets and long-term liabilities associated with governmental and fiduciary funds are accounted for in the account groups of the County Office of Education.

- General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of the donation. No depreciation is recorded on general fixed assets.
- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The County Office of Education's governing board adopts an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The County Office of Education's governing board satisfied these requirements. The board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The County Office of Education employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Encumbrances

The County Office of Education utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Stores Inventory

Inventory is valued at cost utilizing the weighted average method. Inventory in the applicable funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Prepaid Expenditures

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

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the County Office of Education. The amount of the liability expected to be paid from current resources is not significant. The entire portion of the liability is recognized in the general long-term debt account group.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the County Office of Education's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

J. Property Tax

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

K. Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the County Office of Education prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the County Office of Education has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

M. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE #2 - CASH

Cash at June 30, 2001, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

| | Bank Balance - Category * | | | Total | Carrying Amount |
|---------------------------|---------------------------|-------------|-------------|------------------|------------------|
| | 1 | 2 | 3 | | |
| Cash on hand and in banks | \$ 39,886 | \$ - | \$ - | \$ 39,886 | \$ 40,000 |
| Cash in revolving fund | 43,167 | - | - | 43,167 | 30,000 |
| Cash with fiscal agent | 5,000 | - | - | 5,000 | 5,000 |
| Total | <u>\$ 88,053</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 88,053</u> | <u>\$ 75,000</u> |

*These categories are as follows:

- Category 1: Insured or collateralized with securities held by the County Office of Education or by its agent in the County Office of Education's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the County Office of Education's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the County Office of Education's name.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #3 - INVESTMENTS

Investments at June 30, 2001, held on behalf of the Contra Costa County Office of Education are presented below, categorized separately to give an indication of the level of risk associated with each investment:

| | Category * | | | Reported Amount | Fair Value |
|------------------------------------|-------------|-------------------|-------------|---------------------|---------------------|
| | 1 | 2 | 3 | | |
| U.S. Treasury Notes | \$ - | \$ 484,314 | \$ - | \$ 484,314 | \$ 493,820 |
| First American Treasury Obligation | - | 33,689 | - | 7,717 | 33,689 |
| | <u>\$ -</u> | <u>\$ 518,003</u> | <u>\$ -</u> | 492,031 | 527,509 |
| Uncategorized: | | | | | |
| Local Agency Investment Fund | | | | 2,581,772 | 2,587,549 |
| Deposits with County Treasurer | | | | 4,258,421 | 4,259,699 |
| Deficit cash | | | | 17,576 | 17,581 |
| | | | | <u>\$ 7,349,800</u> | <u>\$ 7,392,338</u> |

*These categories are as follows:

- Category 1: Insured or registered, or securities held by the County Office of Education or its agent in the County Office of Education's name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the County Office of Education's name.
- Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the County Office of Education's name.

A. Authorized Investments

The County Office of Education is authorized to make direct investments in local agency bonds, notes or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies/certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

B. Investment in State Treasurer's Pool

The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California authorized under Section 16429.1, 2 and 3 of the California Government code. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts. The California State Treasurer administers the fund. The County Office of Education deposits excess cash in LAIF for investment purposes. LAIF is not required to be categorized. The pool sponsor provided the fair value for these deposits.

C. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Contra Costa. Local educational agencies are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the County Office of Education is considered to be an involuntary participant in an external investments pool. County Treasurer deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2001, consist of the following:

| | County School Service | Special Revenue | Capital Projects | Total |
|---------------------|-----------------------------|--------------------|---------------------|---------------------|
| Federal Government | | | | |
| Categorical aid | \$ 1,167,226 | \$ - | \$ - | \$ 1,167,226 |
| State Government | | | | |
| Apportionment | 77,086 | - | - | 77,086 |
| Categorical aid | 194,173 | - | - | 194,173 |
| Other state | 2,692,733 | - | - | 2,692,733 |
| Local Government | | | | |
| Interest | 22,103 | 2,775 | 82 | 24,960 |
| Other Local Sources | 1,555,001 | - | - | 1,555,001 |
| Total | <u>\$ 5,708,322</u> | <u>\$ 2,775</u> | <u>\$ 82</u> | <u>\$ 5,711,179</u> |

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #5 - INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due to/Due from)

| Funds | Interfund Receivables | Interfund Payables |
|--------------------------------------|--------------------------|-----------------------|
| State School Building Lease Purchase | \$ 35,232 | \$ - |
| County School Facilities | - | 35,232 |
| Total | <u>\$ 35,232</u> | <u>\$ 35,232</u> |

B. Operating 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 year ended June 30, 2001, are as follows:

| | |
|---|-------------------|
| The County School Service fund had a intrafund transfer to move restricted funds to unrestricted used for general administrative costs. | \$ 69,705 |
| The County School Service fund transferred to the Deferred Maintenance fund for the state match. | 242,051 |
| Total | <u>\$ 311,756</u> |

NOTE #6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2001, consist of the following:

| | County School Service | Capital Projects | Total |
|------------------------------|-----------------------------|---------------------|---------------------|
| Vendor payables | \$ 5,627,859 | \$ 10,694 | \$ 5,638,553 |
| State apportionment | 36,161 | - | 36,161 |
| State categorical aid | 59,549 | - | 59,549 |
| Accrued payroll and benefits | 575,337 | - | 575,337 |
| Total | <u>\$ 6,298,906</u> | <u>\$ 10,694</u> | <u>\$ 6,309,600</u> |

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #7 - DEFERRED REVENUE

Deferred revenue at June 30, 2001, consists of the following:

| | County School Service |
|------------------------------|--------------------------|
| Federal financial assistance | \$ 1,189,950 |
| State categorical aid | 19,137 |
| Other local | 426,438 |
| Total | <u>\$ 1,635,525</u> |

NOTE #8 - FUND BALANCES

Fund balances are composed of the following elements:

| | General | Special Revenue | Capital Projects |
|---|---------------------|--------------------|---------------------|
| Reserved | | | |
| Revolving cash | \$ 30,000 | \$ - | \$ - |
| Stores inventory | 126,041 | - | - |
| Prepaid expenditures | 32,146 | - | - |
| Total Reserved | <u>188,187</u> | - | - |
| Unreserved | | | |
| Designated | | | |
| Economic uncertainties | 1,431,397 | - | - |
| Career Development | 479,441 | - | - |
| Career Development - Equipment | 187,929 | - | - |
| Court Schools | 300,912 | - | - |
| Alternative Education Capital Reserve | 169,612 | - | - |
| Special Education - 3% | 608,479 | - | - |
| Special Education | 165,730 | - | - |
| Community Day School | 15,976 | - | - |
| Youth Development Service | 78,225 | - | - |
| Jail Education | 278,925 | - | - |
| Lottery | 135,362 | - | - |
| Legally restricted grant | 442,483 | - | - |
| Deferred Maintenance Brentwood project | - | 630,711 | - |
| Total Designated | <u>4,294,471</u> | <u>630,711</u> | <u>106,216</u> |
| Undesignated | | | |
| Total Unreserved | <u>4,294,471</u> | <u>630,711</u> | <u>123,954</u> |
| Total | <u>\$ 4,482,658</u> | <u>\$ 630,711</u> | <u>\$ 123,954</u> |

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #9 - GENERAL FIXED ASSETS

A summary of general fixed assets for the year ended June 30, 2001, follows:

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|--------------------|---------------------------------|---------------------|-------------------|------------------------|
| Land and Buildings | \$ 16,663,255 | \$ 156,608 | \$ - | \$ 16,819,863 |
| Equipment | 8,960,533 | 1,454,225 | 567,550 | 9,847,208 |
| Vehicles | 619,759 | 96,846 | 4,342 | 712,263 |
| Total | <u>\$ 26,243,547</u> | <u>\$ 1,707,679</u> | <u>\$ 571,892</u> | <u>\$ 27,379,334</u> |

NOTE #10 - GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below:

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---------------------------------|-------------------|-------------------|------------------------|
| Certificates of participation | \$ 3,305,000 | \$ - | \$ 285,000 | \$ 3,020,000 |
| Accumulated vacation - net | 566,289 | - | 36,873 | 529,416 |
| Postemployment benefits | 396,961 | 197,714 | - | 594,675 |
| | <u>\$ 4,268,250</u> | <u>\$ 197,714</u> | <u>\$ 321,873</u> | <u>4,144,091</u> |
| Amount currently available and reserved for retirement of general long-term debt County School Service Fund | | | | 526,397 |
| Amount to be provided for retirement of general long-term debt | | | | <u>\$ 3,617,694</u> |

B. Certificates of Participation

In May 1992, the County Office of Education entered into an agreement with the Contra Costa County Public Facilities Corporation (Corporation) whereby the County Office of Education would make lease payments on the Certificates of Participation issued by the Corporation.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

The Corporation issued Certificates of Participation in the amount of \$4,950,000 with interest rates ranging from 3.5 to 6.3 percent. At June 30, 2001, the principal balance outstanding was \$3,020,000.

The certificates mature through October 2008 as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2002 | \$ 300,000 | \$ 177,894 | \$ 477,894 |
| 2003 | 320,000 | 159,482 | 479,482 |
| 2004 | 340,000 | 139,512 | 479,512 |
| 2005 | 365,000 | 117,963 | 482,963 |
| 2006 | 385,000 | 94,657 | 479,657 |
| Thereafter | 1,310,000 | 127,575 | 1,437,575 |
| Total | <u>\$ 3,020,000</u> | <u>\$ 817,083</u> | <u>\$ 3,837,083</u> |

C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the County Office of Education at June 30, 2001, amounted to \$529,416.

D. Postemployment Benefits

The County Office of Education provides postemployment health care benefits until age 65, in accordance with County Office of Education employment contracts, to all employees who retire from the County Office of Education on or after attaining age 55 with at least 5 years of service. Currently, 39 employees meet those eligibility requirements. The County Office of Education contributes 100 percent of the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as premiums are paid. During the year, expenditures of \$109,814 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the County Office of Education at June 30, 2001, amounts to \$594,675. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly payment per employee in effect at June 30, 2001, multiplied by the number of years of payments remaining. An actuarial study to determine the entire future liability has not been performed.

NOTE #11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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 Public Employees' Retirement System (PERS).

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

A. PERS

Plan Description

The County Office of Education 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 Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (prior to January 1, 2001, 7 percent of monthly salary over \$133.33 if the member participates in Social Security) and the County Office of Education 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. There was no required employer contribution for fiscal 2001-2000, 1999-2000, and 1998-1999. The contribution requirements of the plan members are established by State statute. The County Office of Education was not required to make contributions to CalPERS for the fiscal years ending June 30, 2001, 2000 and 1999.

B. STRS

Plan Description

The County Office of Education contributes to the California 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 and disability benefits 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 STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2000-2001 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The County Office of Education contributions to STRS for the fiscal year ending June 30, 2001, 2000, and 1999 were \$1,226,639, \$1,088,950, and \$952,890, respectively, and equal 100 percent of the required contributions for each year.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The County Office of Education has elected to use Social Security as its alternative plan. County Office of Education and employee contributions are calculated according to Federal law.

D. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the County Office of Education. These payments consist of State General Fund contributions to STRS in the amount of \$749,142 (5.0385 percent of salaries subject to STRS) and \$9,702 (0.092 percent of salaries subject to PERS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (J-400). These amounts also have not been recorded in these financial statements.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #12 - RISK MANAGEMENT

Description

The County Office of Education is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. The County Office of Education is self-insured for its workers' compensation liability through Contra Costa County Self-Insurance Group (CCCSIG) and Northern California Relief (ReLiEF). Additional information regarding the JPAs is presented in Note #14.

The County Office of Education has established provisions for economic uncertainties where fund balances are set aside for settlements associated with the above risk of loss up to certain amounts. Self-insurance limits and insurance coverage are as follows:

| Type of Coverage | Insurance (through CCCSIG) | Limits |
|--|-------------------------------|--|
| General Liability | | \$25,000 - \$1,000,000 cash occurrence \$1,000,000 - \$14,000,000 annual aggregate |
| Workers' compensation | | State Statutory Limits |
| Property | | \$25,000 - \$500,000,00 each occurrence Construction and installation: \$10,000,000 \$25,000,000 limit |
| Earthquake and flood (difference in conditions) | | Deductible: 5% at risk at time of loss per occurrence |
| Auto damage: | | |
| Comprehensive | | \$25,000 - \$1,000,000 each occurrence |
| Collision | | \$25,000 - \$1,000,000 each occurrence |

Amounts in excess of the insured limits are self-insured. General liability, property damage, earthquake and flood, and auto damage risks are covered on an occurrence basis up to the amounts listed above by commercial insurance purchased from independent third parties.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #13 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The County Office of Education has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

B. Data Processing

The County Office of Education and the Contra Costa Community College District ("College District") have an agreement relative to an educational data processing center operated by the College District which provides data processing services for the County Office of Education, the College District and other school districts within the County.

The agreement is renewed annually and can be terminated by either party with one year's notice. The County Office of Education's share of the data processing center's expenditures for the year ended June 30, 2001 was \$894,845 and is included in the expenditures of the County School Service Fund; however, the districts within the Contra Costa County Office of Education reimbursed the County Office of Education \$358,827 for services provided, resulting in a net cost to the County Office of Education of \$536,018.

C. Operating Leases

The County Office of Education has entered into several operating lease agreements whereby they lease facilities for the operation of various programs. The lease terms and frequency of payments varies from lease to lease and include options to extend or be terminated by the contracted parties. The future minimum lease payments are as follows:

| Year Ending June 30, | Lease Payment |
|-------------------------|------------------|
| 2002 | \$ 346,741 |
| 2003 | 39,666 |
| 2004 | 15,518 |
| 2005 | 3,066 |
| 2006 | 3,066 |
| Thereafter | 10,998 |
| Total | \$ 419,055 |

CONTRA COSTA COUNTY OFFICE OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

D. Construction Commitments

As of June 30, 2001 the District had the following commitments with respect to the unfinished capital projects:

| CAPITAL PROJECT | Remaining Construction Commitment | Expected Date of Completion |
|-----------------|-----------------------------------|-----------------------------|
| Diablo Vista | \$ 762,400 | 02/01/02 |

NOTE #14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The County Office of Education is a member of the Contra Costa County Schools Insurance Group (CCCSIG), Northern California Relief (ReLiEF), Schools Self-Insurance of Contra Costa County (SSICCC), and the Schools Excess Liability Fund (SELF) public entity risk pools (JPAs). The County Office of Education pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the County Office of Education and the JPAs are such that the JPAs are not component units of the County Office of Education for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County Office of Education are included in these statements.

| A. Entity | CCCSIG | SSICCC | SELF | ReLiEF |
|--------------------|--|---|--|--|
| B. Purpose | Provide workers' compensation benefits. | Provide dental and vision health care benefits. | Provide excess workers' compensation, property and liability. | Provide liability insurance. |
| C. Participants | School districts, college district and county office in Contra Costa County. | Sixteen districts and the county office in Contra Costa County as well as six districts in Napa County. | Local educational agencies throughout the State of California. | Various school districts and county offices. |
| D. Governing Board | A representative from each member district. | A representative from each member district. | Appointed members from participating districts. | A representative from each member district. |

CONTRA COSTA COUNTY OFFICE OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

E. Condensed Audited Financial Information Follows

| | June 30, 2000* | June 30, 2000* | June 30, 2000* | June 30, 2000* |
|----------------------------------|----------------|----------------|----------------|----------------|
| Assets | \$ 52,577,761 | \$ 2,382,518 | \$ 109,411 | \$ 18,787,099 |
| Liabilities | 29,482,839 | 1,135,024 | 49,889 | 13,200,212 |
| Fund Equity | \$ 23,094,922 | \$ 1,247,494 | \$ 59,522 | \$ 5,586,887 |
| Revenues | 13,624,845 | 11,895,542 | 13,476 | 8,132,832 |
| Expenses | 18,422,776 | 11,439,234 | 11,993 | 12,268,830 |
| Net Increase in Fund Equity | \$ (4,797,931) | \$ 456,308 | \$ 1,483 | \$ (4,135,998) |
| F. Payments for the Current Year | \$ 534,330 | \$ 489,927 | \$ 3,597 | \$ 46,959 |

*Most recent information available.

None of the JPAs had long-term debt outstanding at June 30, 2000. The County Office of Education's share of year-end assets, liabilities or fund equity has not been calculated.

NOTE #15 - EXPENDITURES (BUDGET VERSUS ACTUAL)

A budget was not prepared for the new County Schools Facilities fund. The Fund had expenditures of \$109,496 for the year ended June 30, 2001.

NOTE #16 - TAX AND REVENUE ANTICIPATION NOTES

The County Office of Education issued \$29,250,000 of Tax and Revenue Anticipation Notes dated July 6, 2000 on behalf of itself and several districts within the county. The notes mature on July 5, 2001 and yield 5.00 percent interest. By May 2001, the County Office had placed 100 percent of the principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The County Office was not required to make any additional payments on the notes. As the County Office has in substance defeased the debt, the notes and related interest and cash held in trust are not included in these financial statements.

NOTE #17 - SUBSEQUENT EVENTS

The County Office of Education issued \$5,000,000 of Tax and Revenue Anticipation Notes dated July 3, 2001. The notes mature on July 2, 2002, and yield 3.25 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January, 2002, until 100 percent of principal and interest due is on account in May 2002.

CONTRA COSTA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #18 - NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Local educational agencies with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Local educational agencies with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Local educational agencies with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the County Office of Education expects to adopt the provisions of this statement for the fiscal year ending June 30, 2003. While the County Office of Education believes the adoption of this statement will have a significant impact on how the County Office of Education's financial position and results of operations is presented in its annual financial statements, the County Office of Education has not determined the full impact of the adoption.

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BRENTWOOD UNION SCHOOL DISTRICT
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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BRENTWOOD UNION SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
BRENTWOOD, CALIFORNIA

AUDIT REPORT

JUNE 30, 2001

BRENTWOOD UNION SCHOOL DISTRICT

JUNE 30, 2001

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report on Financial Statements | 1 |
| <u>General-Purpose Financial Statements</u> | |
| Combined Statements: | |
| Combined Balance Sheet - All Fund Types and Account Group | 2 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types | 4 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types | 6 |
| Notes to Financial Statements | 8 |
| Combining Financial Statements: | |
| <u>Special Revenue Funds</u> | |
| Combining Balance Sheet | 24 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 25 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 26 |
| <u>Capital Projects Funds</u> | |
| Combining Balance Sheet | 30 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 32 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 34 |
| <u>Agency Funds</u> | |
| Combining Statement of Changes in Assets and Liabilities - Agency Funds | 40 |

BRENTWOOD UNION SCHOOL DISTRICT

JUNE 30, 2001

TABLE OF CONTENTS (CONCLUDED)

| | <u>Page</u> |
|---|-------------|
| <u>SUPPLEMENTARY INFORMATION SECTION</u> | |
| Independent Auditor's Report on Supplementary Information | 41 |
| Organization/Board of Education/Administration | 42 |
| Schedule of Average Daily Attendance | 43 |
| Schedule of Instructional Time | 44 |
| Schedule of Expenditures of Federal Awards | 45 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 46 |
| Schedule of Financial Trends and Analysis | 47 |
| OCJP Statement of Approved Budget and Cumulative Expenditures | 48 |
| OCJP Statements of Costs Claimed and Accepted | 49 |
| Office of Criminal Justice Planning Grant Form 201 | 50 |
| Notes to Supplementary Information | 51 |
| <u>OTHER INDEPENDENT AUDITOR REPORTS SECTION</u> | |
| Independent Auditor's Report on State Compliance | 53 |
| Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 55 |
| Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 57 |
| <u>FINDINGS AND RECOMMENDATIONS SECTION</u> | |
| Summary of Audit Results | 59 |
| Internal Control | 60 |
| Federal Compliance | 62 |
| State Compliance | 64 |
| Status of Prior Year Recommendations | 65 |

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Brentwood Union School District
Brentwood, California

We have audited the accompanying combined and combining general-purpose financial statements of the Brentwood Union School District as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The District does not maintain complete historical cost records for its fixed assets. Accordingly, a Statement of General Fixed Assets, which is required under generally accepted accounting principles, is not included in this report.

Lack of certain internal control procedures and supporting records limits us to expressing an independent auditor's opinion on recorded transactions of the Student Body Fund (See Note 14).

In our opinion, except for the omission of a Statement of General Fixed Assets, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, the combined general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Brentwood Union School District at June 30, 2001 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining general-purpose financial statements referred to above present fairly in all material respects the financial position of each individual fund of the Brentwood Union School District at June 30, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 13, 2001 on our consideration of the Brentwood Union School District's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

November 13, 2001

BRENTWOOD UNION SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 2001

| | Governmental Fund Types | | | Capital Projects | Fiduciary Fund Type | Account Group | Totals (Memorandum Only) |
|---|-------------------------|---------------------|---------------------|----------------------|------------------------|------------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | | Agency | General Long-term Debt | |
| ASSETS | | | | | | | |
| Cash in County Treasury (Note 2) | \$ 1,655,220 | \$ 357,552 | \$ 1,071,292 | \$ 160,348 | | | \$ 3,244,412 |
| Cash on Hand and in Bank | | 370 | | | \$ 48,903 | | 49,273 |
| Cash in Revolving Fund | 5,000 | | | | | | 5,000 |
| Cash with Fiscal Agent | 2,612,025 | | | 143,318 | | | 2,755,343 |
| Investments (Note 2) | 368,624 | 2,101,514 | | 12,196,806 | | | 14,666,944 |
| Accounts Receivable (Note 4) | | | | | | | |
| Federal Government | 278,357 | 58,510 | | | | | 336,867 |
| State Government | 952,241 | 121,465 | | | | | 1,073,706 |
| Local Government | 130,230 | | 4,714 | 200,000 | | | 334,944 |
| Interest | 16,608 | 28,785 | | 156,177 | | | 201,570 |
| Miscellaneous | 142,946 | 7,983 | | 578 | | | 151,507 |
| Due from Other Funds (Note 5) | | | | 1,300,331 | | | 1,300,331 |
| Stores Inventory (Note 1H) | | 2,500 | | | | | 2,500 |
| Amount Available in Debt Service Funds | | | | | | \$ 1,076,006 | 1,076,006 |
| Amount Available in Capital Projects Funds | | | | | | 143,318 | 143,318 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | 24,589,145 | 24,589,145 |
| Total Assets | \$ 6,161,251 | \$ 2,678,679 | \$ 1,076,006 | \$ 14,157,558 | \$ 48,903 | \$ 25,808,469 | \$ 49,930,868 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Deficit Cash Balances | | \$ 56,947 | | \$ 944,552 | | | \$ 1,001,499 |
| Accounts Payable | \$ 368,399 | 17,526 | | 1,242,804 | | | 1,628,729 |
| Due to Other Funds (Note 5) | | | | 1,300,331 | | | 1,300,331 |
| Due to Student Groups | | | | | \$ 48,903 | | 48,903 |
| Deferred Revenue (Note 1J) | 271,812 | | | | | | 271,812 |
| Tax Revenue Anticipation Notes (Note 2) | 2,730,025 | | | | | | 2,730,025 |
| Capital Leases (Note 8) | | | | | | \$ 100,561 | 100,561 |
| General Obligation Bonds (Note 7) | | | | | | 20,083,184 | 20,083,184 |
| Certificates of Participation (Note 8) | | | | | | 5,540,000 | 5,540,000 |
| Other Post Employment Benefits (Note 9) | | | | | | 84,724 | 84,724 |
| Total Liabilities | 3,370,236 | 74,473 | | 3,487,687 | 48,903 | 25,808,469 | 32,789,768 |
| Fund Balances (Note 1K, 11) | | | | | | | |
| Reserved | 940,426 | 2,500 | \$ 1,076,006 | 143,318 | | | 2,162,250 |
| Unreserved: | | | | | | | |
| Designated | 796,499 | | | | | | 796,499 |
| Undesignated | 1,054,090 | 2,601,706 | | 10,526,553 | | | 14,182,349 |
| Total Fund Balances | 2,791,015 | 2,604,206 | 1,076,006 | 10,669,871 | 0 | 0 | 17,141,098 |
| Total Liabilities and Fund Balances | \$ 6,161,251 | \$ 2,678,679 | \$ 1,076,006 | \$ 14,157,558 | \$ 48,903 | \$ 25,808,469 | \$ 49,930,868 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

BRENTWOOD UNION SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | Governmental Fund Types | | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|-------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | | | |
| REVENUES | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$ 11,394,582 | \$ 188,933 | | | \$ 11,583,515 |
| Local Sources | 6,206,785 | | | | 6,206,785 |
| Total Revenue Limit Sources | 17,601,367 | 188,933 | | | 17,790,300 |
| Federal Revenue | 934,770 | 349,501 | | | 1,284,271 |
| Other State Revenue | 6,924,451 | 138,886 | \$ 20,380 | \$ 2,685,505 | 9,769,222 |
| Other Local Revenue | 1,343,840 | 543,648 | 1,177,382 | 8,207,501 | 11,272,371 |
| Total Revenues | 26,804,428 | 1,220,968 | 1,197,762 | 10,893,006 | 40,116,164 |
| EXPENDITURES | | | | | |
| Certificated Salaries | 14,791,415 | | | | 14,791,415 |
| Classified Salaries | 3,701,920 | 262,555 | | | 3,964,475 |
| Employee Benefits | 3,194,884 | 42,877 | | | 3,237,761 |
| Books and Supplies | 1,517,692 | 613,160 | | 168,102 | 2,298,954 |
| Services and Other | | | | | |
| Operating Expenditures | 2,634,498 | 201,071 | | 463,689 | 3,299,258 |
| Capital Outlay | 412,559 | 33,638 | | 10,720,213 | 11,166,410 |
| Debt Service: | | | | | |
| Principal Retirement | 118,540 | | 511,230 | 1,255,000 | 1,884,770 |
| Interest and Fiscal Charges | 2,297 | 9,018 | 377,103 | 291,896 | 680,314 |
| Other Expenditures | 351,064 | 76 | | | 351,140 |
| Total Expenditures | 26,724,869 | 1,162,395 | 888,333 | 12,898,900 | 41,674,497 |
| Excess of Revenues Over (Under) Expenditures | 79,559 | 58,573 | 309,429 | (2,005,894) | (1,558,333) |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | 190,899 | 175,534 | | 8,262,325 | 8,628,758 |
| Operating Transfers Out | (175,534) | (51,501) | | (8,401,723) | (8,628,758) |
| Other Sources | 159,583 | | | 7,038,704 | 7,198,287 |
| Total Other Financing Sources (Uses) | 174,948 | 124,033 | 0 | 6,899,306 | 7,198,287 |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses | 254,507 | 182,606 | 309,429 | 4,893,412 | 5,639,954 |
| Fund Balances - July 1, 2000 (As restated - Note 17) | 2,536,508 | 2,421,600 | 766,577 | 5,776,459 | 11,501,144 |
| Fund Balances - June 30, 2001 | \$ 2,791,015 | \$ 2,604,206 | \$ 1,076,006 | \$ 10,669,871 | \$ 17,141,098 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

BRENTWOOD UNION SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General Fund | | | Special Revenue Funds | | | Debt Service Funds | | | Capital Projects Funds | | | Totals (Memorandum Only) | | |
|---|---------------------|-------------------|--|-----------------------|------------------|--|---------------------|------------------|--|------------------------|----------------------|--|--------------------------|----------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| | | | | | | | | | | | | | | | |
| REVENUES | | | | | | | | | | | | | | | |
| Revenue Limit Sources: | | | | | | | | | | | | | | | |
| State Apportionment | \$ 11,330,532 | \$ 11,394,582 | \$ 64,050 | \$ 180,506 | \$ 188,933 | \$ 8,427 | | | | | | | \$ 11,511,038 | \$ 11,583,515 | \$ 72,477 |
| Local Sources | 6,146,714 | 6,206,785 | 60,071 | | | | | | | | | | 6,146,714 | 6,206,785 | 60,071 |
| Total Revenue Limit | 17,477,246 | 17,601,367 | 124,121 | 180,506 | 188,933 | 8,427 | | | | | | | 17,657,752 | 17,790,300 | 132,548 |
| Federal Revenue | 991,568 | 934,770 | (56,798) | 345,000 | 349,501 | 4,501 | | | | | | | 1,336,568 | 1,284,271 | (52,297) |
| Other State Revenue | 6,612,862 | 6,924,451 | 311,589 | 135,507 | 138,888 | 3,379 | | | | | | | 9,433,874 | 9,769,222 | 335,348 |
| Other Local Revenue | 1,235,098 | 1,843,840 | 108,742 | 511,711 | 543,648 | 31,937 | | | | | | | \$ 20,380 | \$ 20,380 | \$ 20,380 |
| | | | | | | | \$ 475,587 | 1,177,382 | 701,795 | 7,929,435 | 8,207,501 | \$ 278,066 | 10,151,831 | 11,272,371 | 1,120,540 |
| Total Revenues | 26,316,774 | 26,804,428 | 487,654 | 1,172,724 | 1,220,968 | 48,244 | 475,587 | 1,197,762 | 722,175 | 10,614,940 | 10,893,006 | 278,066 | 38,580,025 | 40,116,164 | 1,536,139 |
| EXPENDITURES | | | | | | | | | | | | | | | |
| Certificated Salaries | 14,883,431 | 14,791,415 | 92,016 | | | | | | | | | | 14,883,431 | 14,791,415 | 92,016 |
| Classified Salaries | 3,742,872 | 3,701,920 | 40,952 | 267,207 | 262,555 | 4,652 | | | | | | | 4,010,079 | 3,964,475 | 45,604 |
| Employee Benefits | 3,262,402 | 3,194,884 | 67,518 | 43,072 | 42,877 | 195 | | | | | | | 3,305,474 | 3,237,761 | 67,713 |
| Books and Supplies | 2,435,837 | 1,517,692 | 918,145 | 624,149 | 613,160 | 10,989 | | | 190,000 | 188,102 | 21,898 | | 3,249,986 | 2,298,954 | 951,032 |
| Services and Other | | | | | | | | | | | | | | | |
| Operating Expenditures | 2,635,362 | 2,634,498 | 864 | 283,881 | 201,071 | 82,810 | | | 761,843 | 463,689 | 297,954 | | 3,680,886 | 3,299,258 | 381,628 |
| Capital Outlay | 584,404 | 412,559 | 171,845 | 34,000 | 33,638 | 362 | | | 12,774,168 | 10,720,213 | 2,053,955 | | 13,392,572 | 11,166,410 | 2,226,162 |
| Debt Service: | | | | | | | | | | | | | | | |
| Principal Retirement | 118,540 | 118,540 | | | | | 656,230 | 511,230 | 145,000 | 1,255,000 | 1,255,000 | | 2,029,770 | 1,884,770 | 145,000 |
| Interest and Fiscal Charges | 2,297 | 2,297 | | | 9,018 | (9,018) | 571,941 | 377,103 | 194,838 | 238,702 | 291,896 | (53,184) | 812,940 | 880,314 | 132,626 |
| Other Expenditures | 349,971 | 351,064 | (1,093) | | 78 | (76) | | | | | | | 349,971 | 351,140 | (1,169) |
| Total Expenditures | 28,015,116 | 26,724,869 | 1,290,247 | 1,252,309 | 1,162,395 | 89,914 | 1,228,171 | 888,333 | 339,838 | 15,219,513 | 12,898,900 | 2,320,613 | 45,715,109 | 41,674,497 | 4,040,612 |
| Excess of Revenues Over (Under) Expenditures | (1,898,342) | 79,559 | 1,777,901 | (79,585) | 58,573 | 138,158 | (752,584) | 309,429 | 1,062,013 | (4,604,573) | (2,005,894) | 2,598,679 | (7,135,084) | (1,558,333) | 5,576,751 |
| Other Financing Sources (Uses): | | | | | | | | | | | | | | | |
| Operating Transfers In | 227,010 | 190,899 | (36,111) | 153,507 | 175,534 | 22,027 | | | | 9,108,983 | 8,262,325 | (846,658) | 9,489,500 | 8,628,758 | (860,742) |
| Operating Transfers Out | (153,869) | (175,534) | (21,665) | (51,826) | (51,501) | 325 | | | (9,804,288) | (8,401,723) | 1,402,565 | | (10,009,983) | (8,628,758) | 1,381,225 |
| Other Sources | 159,583 | 159,583 | | | | | | | 7,038,704 | 7,038,704 | | | 7,198,287 | 7,198,287 | |
| Total Other Financing Sources (Uses) | 232,724 | 174,948 | (57,776) | 101,681 | 124,033 | 22,352 | 0 | 0 | 0 | 6,343,399 | 6,899,306 | 555,907 | 6,677,804 | 7,198,287 | 520,483 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | \$ (1,465,618) | 254,507 | \$ 1,720,125 | \$ 22,096 | 182,606 | \$ 180,510 | \$ (752,584) | 309,429 | \$ 1,062,013 | \$ 1,738,826 | 4,893,412 | \$ 3,154,586 | \$ (457,280) | 5,639,954 | \$ 8,097,234 |
| Fund Balances - July 1, 2000 (As restated - Note 17) | | 2,536,508 | | | 2,421,600 | | | 768,577 | | | 5,776,459 | | | 11,501,144 | |
| Fund Balances - June 30, 2001 | \$ 2,791,015 | | | \$ 2,604,206 | | | \$ 1,076,006 | | | | \$ 10,669,871 | | | \$ 17,141,098 | |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

BRENTWOOD UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

In determining its reporting entity, the District considered all governmental units that were members of the District since inception. The criteria did not require the inclusion of these entities in the District's financial statements principally because the District does not exercise oversight responsibility over any members.

C. Fund Accounting

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

GOVERNMENTAL FUNDS:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

BRENTWOOD UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

BRENTWOOD UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

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

1. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
3. Special Reserve Fund is used to account for the accumulation of funds for special projects other than capital projects.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The District maintains one Debt Service Fund:

1. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains five Capital Projects funds:

1. Capital Facilities Fund is used to account for resources received and spent from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. State School Building Fund is used to account for the building of new schools and related equipment from state apportionments. (Education Code Section 17708)
3. Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bonds.
4. Special Reserve Fund is used to account for special building projects as determined by the District.
5. County School Facilities Fund is used primarily to account separately for state apportionments as provided in Education Code Sections 17009.5 and 17070.10-17076.10.

FIDUCIARY FUNDS:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds to account for student body activities at William B. Bristow and Edna Hill schools.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

ACCOUNT GROUP:

The accounting and reporting treatment applied to the long-term liabilities and fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the Account Group of the District.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on long-term debt, which is recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District Superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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.

H. Inventories

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

I. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. As of June 30, 2001, there was no accumulated vacation carryover.

Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

J. Deferred Revenue

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in revenue that cannot be recognized until such expenditures are incurred.

K. Fund Balance Reserves and Designations

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

| <u>Fund</u> | <u>Excess Expenditures</u> |
|--|----------------------------|
| General Fund Other Expenditures | \$ 1,093 |
| Deferred Maintenance Fund Other Expenditures | 76 |
| Cafeteria Fund Interest and Fiscal Charges | 9,018 |
| State School Building Fund Interest and Fiscal Charges | 10,014 |
| County School Facilities Fund Interest and Fiscal Charges | 43,180 |

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2001 consist of the following:

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Fund</u> | <u>Capital Projects Funds</u> | <u>Totals</u> |
|--|---------------------|------------------------------|--------------------------|-------------------------------|---------------|
| Federal Government Categorical Aid | \$ 278,357 | \$ 58,510 | | | \$ 336,867 |
| State Government Categorical Aid Programs | \$ 164,280 | \$ 7,961 | | | \$ 172,241 |
| Lottery | 207,431 | | | | 207,431 |
| Special Allowances | 580,530 | 113,504 | | | 694,034 |
| Total State | \$ 952,241 | \$ 121,465 | | | \$ 1,073,706 |
| Local Government | \$ 130,230 | | \$ 4,714 | \$ 200,000 | \$ 334,944 |
| Interest | \$ 16,808 | \$ 28,785 | | \$ 156,177 | \$ 201,570 |
| Miscellaneous | \$ 142,946 | \$ 7,983 | | \$ 578 | \$ 151,507 |

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

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

Interfund transfers for fiscal year 2000-01 were as follows:

| | |
|--|----------------------------|
| Transfer from General Fund to Deferred Maintenance Fund to match State allocation | \$ 133,534 |
| Transfer from Capital Facilities Fund to General Fund for indirect support costs | 139,398 |
| Transfer from Cafeteria Fund to General Fund for indirect support costs | 51,501 |
| Transfer from General Fund to Cafeteria Fund to supplement cafeteria program | 42,000 |
| Transfer from Building Fund to State School Building Fund for Edna Hill joint use gym project | 1,604,301 |
| Transfer from Building Fund to County School Facilities Fund for modernization and new construction projects | 1,564,940 |
| Transfer from County School Facilities Fund to State School Building Fund to transfer apportionment for Edna Hill joint use gym project | 997,500 |
| Transfer from County School Facilities Fund to State School Building Fund to transfer apportionment for Loma Vista change order to Loma Vista project | 25,574 |
| Transfer from State School Building Fund to Building Fund to return the excess District contribution made to Loma Vista Elementary | 805,881 |
| Transfer from Capital Facilities Fund to State School Building Fund for Edna Hill joint use gym project | 65,877 |
| Transfer from Capital Facilities Fund to County School Facilities Fund for new construction projects at Krey, Loma Vista, Garin, and William Bristow schools | <u>3,198,252</u> |
| Total | <u>\$ 8,628,758</u> |

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

B. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2001 are as follows:

| | Interfund Receivables | Interfund Payables |
|--------------------------|----------------------------|----------------------------|
| Capital Projects Funds: | | |
| Capital Facilities | \$ 25,516 | \$ 694,746 |
| State School Building | 167,661 | 79,916 |
| Building | 44,351 | 457,978 |
| Special Reserve | | 1,473 |
| County School Facilities | <u>1,062,803</u> | <u>66,218</u> |
| Totals | <u>\$ 1,300,331</u> | <u>\$ 1,300,331</u> |

NOTE 6 - CAPITAL LEASES

The District leases equipment valued at \$159,583 under lease agreements, which provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

| Year Ended <u>June 30</u> | Lease Payments |
|---|--------------------------|
| 2002 | \$ 59,022 |
| 2003 | <u>59,021</u> |
| Total | 118,043 |
| Less amounts representing interest | <u>(17,482)</u> |
| Present value of net minimum lease payments | <u>\$ 100,561</u> |

The District will receive no sublease rental revenues nor pay any contingent rentals for these portables.

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the Brentwood Union School District at June 30, 2001 is:

| Date of Issue | Interest Rate % | Maturity Date | Amount of Original Issue | Outstanding July 1, 2000 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2001 |
|---------------|-----------------|---------------|-----------------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|
| 1994 | 3.30-4.60 | 2002 | \$ 1,000,000 | \$ 525,000 | | \$ 225,000 | \$ 300,000 |
| 1995 | 5.00-9.00 | 2011 | 770,000 | 620,000 | | 45,000 | 575,000 |
| 1997 | 5.25-6.05 | 2019 | 3,029,699 | 3,029,699 | | | 3,029,699 |
| 1997 | 4.70-5.25 | 2017 | 5,070,000 | 4,475,000 | | 180,000 | 4,295,000 |
| 1998 | 3.85-5.50 | 2023 | 4,996,609 | 4,945,011 | | 61,230 | 4,883,781 |
| 2001 | 4.30-7.30 | 2026 | <u>6,999,704</u> | | <u>\$ 6,999,704</u> | | <u>6,999,704</u> |
| Totals | | | <u>\$ 21,866,012</u> | <u>\$ 13,594,710</u> | <u>\$ 6,999,704</u> | <u>\$ 511,230</u> | <u>\$ 20,083,184</u> |

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2001, are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|----------------------|----------------------|----------------------|
| 2002 | \$ 649,930 | \$ 599,445 | \$ 1,249,375 |
| 2003 | 515,635 | 732,122 | 1,247,757 |
| 2004 | 542,167 | 748,903 | 1,291,070 |
| 2005 | 572,955 | 764,373 | 1,337,328 |
| 2006 | 677,830 | 742,377 | 1,420,207 |
| Thereafter | <u>17,124,667</u> | <u>18,278,107</u> | <u>35,402,774</u> |
| Totals | <u>\$ 20,083,184</u> | <u>\$ 21,865,327</u> | <u>\$ 41,948,511</u> |

NOTE 8 - CERTIFICATES OF PARTICIPATION

A. In December 1996, the Contra Costa Schools Financing Authority issued certificates of participation in the amount of \$2,095,000 with an interest rate of 4.45 percent. At June 30, 2001, the principal balance outstanding was \$1,865,000. The certificates mature through 2017 as follows:

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|---------------------|-------------------|---------------------|
| 2002 | \$ 85,000 | \$ 80,153 | \$ 165,153 |
| 2003 | 85,000 | 76,371 | 161,371 |
| 2004 | 90,000 | 72,568 | 162,568 |
| 2005 | 95,000 | 68,108 | 163,108 |
| 2006 | 100,000 | 63,854 | 163,854 |
| Thereafter | <u>1,410,000</u> | <u>357,205</u> | <u>1,767,205</u> |
| Totals | <u>\$ 1,865,000</u> | <u>\$ 718,259</u> | <u>\$ 2,583,259</u> |

B. In January 1998, the Contra Costa Schools Financing Authority issued certificates of participation in the amount of \$5,785,000 with variable interest rates of 4.09% to 12.0% percent. At June 30, 2001, the principal balance outstanding was \$4,675,000. The certificates mature through 2019 as follows:

| Year Ended June 30 | Principal | Interest * | Total * |
|-----------------------|---------------------|---------------------|---------------------|
| 2002 | \$ 180,000 | \$ 424,800 | \$ 604,800 |
| 2003 | 185,000 | 402,750 | 587,750 |
| 2004 | 210,000 | 378,300 | 588,300 |
| 2005 | 215,000 | 352,650 | 567,650 |
| 2006 | 225,000 | 325,950 | 550,950 |
| Thereafter | <u>2,660,000</u> | <u>1,510,950</u> | <u>4,170,950</u> |
| Totals | <u>\$ 3,675,000</u> | <u>\$ 3,395,400</u> | <u>\$ 7,070,400</u> |

* To be conservative, projected interest payments are based on the maximum rate of 12%. The actual interest payment requirements will likely be lower.

NOTE 8 - CERTIFICATES OF PARTICIPATION (CONCLUDED)

C. The combined principal and interest payments required for the 1996 and 1998 certificates of participation issues are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|---------------------|---------------------|---------------------|
| 2002 | \$ 265,000 | \$ 504,953 | \$ 769,953 |
| 2003 | 270,000 | 479,121 | 749,121 |
| 2004 | 300,000 | 450,868 | 750,868 |
| 2005 | 310,000 | 420,758 | 730,758 |
| 2006 | 325,000 | 389,804 | 714,804 |
| Thereafter | <u>4,070,000</u> | <u>1,868,155</u> | <u>5,938,155</u> |
| Totals | <u>\$ 5,540,000</u> | <u>\$ 4,113,659</u> | <u>\$ 9,653,659</u> |

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12, the District provides retiree medical benefits to eligible employees for a maximum of seven years or up to age 65 whichever comes first. An eligible employee is one who has rendered a minimum of 20 years of continuous service in the District in a full time position. The District will pay the cost of medical benefits up to the cost of single coverage Kaiser premiums. Future estimated payments related to individuals currently receiving medical benefits are as follows:

| Year Ended June 30 | Medical Benefits |
|-----------------------|------------------|
| 2002 | \$ 18,454 |
| 2003 | 16,913 |
| 2004 | 15,593 |
| 2005 | 15,593 |
| 2006 | 15,593 |
| Thereafter | <u>2,578</u> |
| Total | <u>\$ 84,724</u> |

NOTE 10 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below.

| | Balances July 1, 2000 | Additions | Deductions | Balances June 30, 2001 |
|--------------------------------|--------------------------|---------------------|---------------------|---------------------------|
| Capital Leases | \$ 59,518 | \$ 159,583 | \$ 118,540 | \$ 100,561 |
| General Obligations Bonds | 13,594,710 | 6,999,704 | 511,230 | 20,083,184 |
| Certificates of Participation | 8,795,000 | | 1,255,000 | 5,540,000 |
| Other Post Employment Benefits | <u>31,282</u> | <u>53,462</u> | | <u>84,724</u> |
| Totals | <u>\$ 20,480,490</u> | <u>\$ 7,212,749</u> | <u>\$ 1,884,770</u> | <u>\$ 25,808,469</u> |

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 11 - FUND BALANCES

A. Reservations of fund balances at June 30, 2001 are as follows:

| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Project Funds | Totals |
|---------------------|-------------------|-----------------------|---------------------|-----------------------|---------------------|
| Revolving Fund | \$ 5,000 | | | | \$ 5,000 |
| Stores Inventory | | \$ 2,500 | | | 2,500 |
| Restricted Programs | 935,426 | | | | 935,426 |
| Debt Service | | | \$ 1,076,006 | \$ 143,318 | 1,219,324 |
| Totals | \$ 940,426 | \$ 2,500 | \$ 1,076,006 | \$ 143,318 | \$ 2,162,250 |

Reserved for Revolving Fund represents the portion of the ending fund Balance represented by the revolving fund cash.

Reserve for Stores Inventory reflects the portion of fund balance represented by the cafeteria stores inventory.

Reserved for Restricted Programs reflects unspent program revenues, which are legally restricted for future use.

Reserved program balances at June 30, 2001 are as follows:

| | |
|---|-------------------|
| Gifted and Talented Education | \$ 27,514 |
| Site Block Grant Carryover | 1,185 |
| School Based Coordinated Program | 66,631 |
| Instructional Materials | 59,876 |
| Lottery Materials | 97,220 |
| English Language Acquisition | 25,700 |
| Classroom Library Materials | 24,590 |
| California Classroom Library Materials | 70,105 |
| School Safety | 5,227 |
| District Block Grant | 139,291 |
| Instructional Materials / Staff Development | 20,686 |
| School Improvement & Achievement | 79,759 |
| API Grants | 98,925 |
| High Achieving Schools | 147,534 |
| Education Technology | 26,917 |
| Peer Assistance and Review | 44,266 |
| Total | \$ 935,426 |

Reserved for Debt Service consists of \$1,076,006 in the Bond Interest and Redemption Fund, reserved for future payment of interest and redemption of bond principal, and \$143,318 in the Capital Facilities Fund, reserved for future payment of interest and redemption of certificates of participation principal.

B. Designations of ending fund balance in the General Fund at June 30, 2001 are as follows:

| | |
|------------------------|------------|
| Economic Uncertainties | \$ 796,499 |
|------------------------|------------|

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under retirement 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).

A. 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 plan members and 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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$1,152,209, \$870,649 and \$790,959, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

BRENTWOOD UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Funding Policy

Active plan members are required to contribute 7.0% 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 2000-01 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2001, 2000, and 1999, were \$0, \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 Education. This payment consists of state general fund contributions to STRS in the amount of \$908,122 (6.126% of salaries subject to STRS). The District has chosen not to include the revenues and expenditures for this payment in the financial statements. This amount represents a financial disclosure only and would not change the fund balance of any District fund had they been recorded.

NOTE 14 - STUDENT BODY FUNDS

Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area, for some fundraisers, does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000-01, the District participated in three joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years. (See Note 16 for the nature of District participation in the JPAs)

NOTE 16 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa Schools Insurance Group (CCSIG) for Workers' Compensation Insurance; the Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) for Property and Liability Insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

NOTE 16 - JOINT VENTURES (CONCLUDED)

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

Nature of Participation

Property

| | | |
|----------------------|-----------|--------------|
| District Deductible: | \$ 1,000 | |
| JPA's SIR: | 25,000 | |
| Excess Insurance: | 1,000,000 | (Commercial) |
| | 5,000,000 | (Commercial) |

Liability

| | | |
|----------------------|-----------|--------------|
| District Deductible: | \$ 0 | |
| JPA's SIR: | 25,000 | |
| Excess Insurance: | 1,000,000 | (Commercial) |
| | 5,000,000 | (Commercial) |

Condensed audited financial information for CCSIG for the year ended June 30, 2001, and condensed audited financial information for CCSCSDSIA and SSICCC for the year ended June 30, 2000, the most recent available, is as follows:

| | CCCSIG Workers' Compensation | CCSCSDSIA Property and Liability | SSICCC Health, Dental and Vision |
|---|------------------------------------|--|--|
| Total Assets | \$ 52,241,761 | \$ 924,390 | \$ 1,898,578 |
| Total Liabilities | \$ 31,491,367 | \$ 691,953 | \$ 1,107,392 |
| Total Fund Equity | 20,750,394 | 232,437 | 791,186 |
| Total Liabilities and Fund Equity | \$ 52,241,761 | \$ 924,390 | \$ 1,898,578 |
| Total Revenues | \$ 17,124,791 | \$ 442,163 | \$ 10,631,010 |
| Total Expenditures | 19,469,319 | 386,500 | 10,787,101 |
| Net Increase (Decrease) in Fund Equity | \$ (2,344,528) | \$ 55,663 | \$ (156,091) |

The JPAs did not have long-term debt outstanding at June 30, 2001 and June 30, 2000, respectively. The Districts share of year-end assets, liabilities and fund equity has not been calculated.

BRENTWOOD UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 17 - RESTATEMENT OF FUND BALANCES

The July 1, 2000 fund balance of the General Fund has been restated to correct a prior year understatement of accounts receivable related to state class size reduction revenue. The effect of the restatement on these financial statements is as follows:

| | |
|--|---------------------|
| Fund Balances – July 1, 2000 (as originally stated) | \$ 2,457,172 |
| Understatement of Accounts Receivable | <u>79,336</u> |
| Fund Balances – July 1, 2000 (as restated) | <u>\$ 2,536,508</u> |

NOTE 18 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 19 - SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes (TRANS)

On July 3, 2001 the District issued \$2,700,000 of tax and revenue anticipation notes (TRANS). The notes mature on July 2, 2002 and bear interest at 3.25%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

B. General Obligation Bonds

On November 1, 2001, the District issued general obligation bonds in the amount of \$7,996,669 with interest rates from 4% to 7%. The proceeds from the bond are to be used to provide adequate classroom space, to expand and renovate existing schools, to provide access to technology for students, to acquire school sites, and to construct schools to alleviate overcrowding and enhance the educational opportunities for all students.

JOHN SWETT UNIFIED SCHOOL DISTRICT
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
John Swett Unified School District
Crockett, California

We have audited the combined and combining general-purpose financial statements of the John Swett Unified School District as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The District does not maintain complete historical cost records for its fixed assets. Accordingly, a Statement of General Fixed Assets, which is required under generally accepted accounting principles, is not included in this report.

Lack of certain internal control procedures and supporting records limits us to expressing an independent auditor's opinion on recorded transactions of the Student Body Fund (Note 15).

In our opinion, except for the omission of a Statement of General Fixed Assets, and the effect of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, the combined general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the John Swett Unified School District at June 30, 2001 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining general-purpose financial statements referred to above present fairly in all material respects the financial position of each individual fund of the John Swett Unified School District at June 30, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 3, 2001 on our consideration of the John Swett Unified School District's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Stephen Roatch Accountancy Corporation
STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 3, 2001

JOHN SWETT UNIFIED SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 2001

| | Governmental Fund Types | | Capital Projects | Fiduciary Fund Type | Account Group | Totals (Memorandum Only) |
|---|-------------------------|--------------------|---------------------|------------------------|------------------------------|--------------------------------|
| | General | Special Revenue | | Agency | General Long-term Debt | |
| ASSETS | | | | | | |
| Cash in County Treasury (Note 2) | \$ 1,782,268 | \$ 331,135 | \$ 2,963,366 | | | \$ 5,076,769 |
| Cash on Hand and in Bank | | | | \$ 128,657 | | 128,657 |
| Cash in Revolving Fund | 4,000 | | | | | 4,000 |
| Cash with Fiscal Agent | 2,100,250 | | | | | 2,100,250 |
| Accounts Receivable (Note 4) | | | | | | |
| Federal Government | 80,716 | 29,163 | | | | 109,879 |
| State Government | 311,572 | 55,190 | | | | 366,762 |
| Local Government | 39,499 | | | | | 39,499 |
| Interest | 124,263 | 504 | 7,680 | | | 132,447 |
| Miscellaneous | 60,133 | 64,825 | | | | 124,958 |
| Due from Other Funds (Note 5) | 1,135 | 140,802 | 1,133,718 | | | 1,275,655 |
| Amount Available in General Fund | | | | | \$ 23,191 | 23,191 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | 952,659 | 952,659 |
| Total Assets | \$ 4,503,836 | \$ 621,619 | \$ 4,104,764 | \$ 128,657 | \$ 975,850 | \$ 10,334,726 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Deficit Cash Balances | | \$ 84,806 | \$ 1,126,861 | | | \$ 1,211,667 |
| Accounts Payable | \$ 277,841 | 19,045 | 94 | | | 296,980 |
| Due to Other Funds (Note 5) | 140,802 | 1,135 | 1,133,718 | | | 1,275,655 |
| Due to Student Groups | | | | \$ 128,657 | | 128,657 |
| Deferred Revenue (Note 1I) | 150,861 | | | | | 150,861 |
| Compensated Absences (Note 1H) | | | | | \$ 20,689 | 20,689 |
| Tax Revenue Anticipation Notes (Note 2) | 2,100,250 | | | | | 2,100,250 |
| Capital Leases (Note 6) | | | | | 479,976 | 479,976 |
| Other Post Employment Benefits (Note 8) | | | | | 475,185 | 475,185 |
| Total Liabilities | 2,669,754 | 104,986 | 2,260,673 | 128,657 | 975,850 | 6,139,920 |
| Fund Balances (Note 1J, 10) | | | | | | |
| Reserved | 422,410 | | | | | 422,410 |
| Unreserved: | | | | | | |
| Designated | 692,592 | | 1,844,091 | | | 692,592 |
| Undesignated | 719,080 | 516,633 | | | | 3,079,804 |
| Total Fund Balances | 1,834,082 | 516,633 | 1,844,091 | 0 | 0 | 4,194,806 |
| Total Liabilities and Fund Balances | \$ 4,503,836 | \$ 621,619 | \$ 4,104,764 | \$ 128,657 | \$ 975,850 | \$ 10,334,726 |

JOHN SWETT UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|--------------|-----------------|------------------|-----------------------------|
| REVENUES | | | | |
| Revenue Limit Sources: | | | | |
| State Apportionment | \$ 3,594,225 | | | \$ 3,594,225 |
| Local Sources | 5,272,852 | | | 5,272,852 |
| Total Revenue Limit Sources | 8,867,077 | | | 8,867,077 |
| Federal Revenue | 470,547 | \$ 174,630 | | 645,177 |
| Other State Revenue | 3,811,176 | 66,390 | \$ 2,803,049 | 6,680,615 |
| Other Local Revenue | 1,017,484 | 195,113 | 152,289 | 1,364,886 |
| Total Revenues | 14,166,284 | 436,133 | 2,955,338 | 17,557,755 |
| EXPENDITURES | | | | |
| Certificated Salaries | 5,725,291 | | | 5,725,291 |
| Classified Salaries | 1,800,232 | 99,609 | | 1,899,841 |
| Employee Benefits | 1,720,783 | 35,674 | | 1,756,457 |
| Books and Supplies | 627,986 | 187,516 | | 815,502 |
| Services and Other | | | | |
| Operating Expenditures | 2,704,976 | 65,836 | 12,674 | 2,783,486 |
| Capital Outlay | 230,547 | 15,372 | 1,222,936 | 1,468,855 |
| Debt Service: | | | | |
| Principal Retirement | 82,349 | | 17,495 | 99,844 |
| Interest and Fiscal Charges | 38,024 | | 5,856 | 43,880 |
| Other Expenditures | 164,787 | | | 164,787 |
| Total Expenditures | 13,094,975 | 404,007 | 1,258,961 | 14,757,943 |
| Excess of Revenues Over Expenditures | 1,071,309 | 32,126 | 1,696,377 | 2,799,812 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | | 265,128 | 80,239 | 345,367 |
| Operating Transfers Out | (273,999) | | (71,368) | (345,367) |
| Total Other Financing Sources (Uses) | (273,999) | 265,128 | 8,871 | 0 |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses | 797,310 | 297,254 | 1,705,248 | 2,799,812 |
| Fund Balances - July 1, 2000 (As restated - Note 17) | 1,036,772 | 219,379 | 138,843 | 1,394,994 |
| Fund Balances - June 30, 2001 | \$ 1,834,082 | \$ 516,633 | \$ 1,844,091 | \$ 4,194,806 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN SWETT UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General Fund | | | Special Revenue Funds | | |
|---|--------------|--------------|----------------------------------|-----------------------|------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Revenue Limit Sources: | | | | | | |
| State Apportionment | \$ 3,628,087 | \$ 3,594,225 | \$ (33,862) | | | |
| Local Sources | 5,354,001 | 5,272,852 | (81,149) | | | |
| Total Revenue Limit | 8,982,088 | 8,867,077 | (115,011) | | | |
| Federal Revenue | 599,816 | 470,547 | (129,269) | \$ 174,630 | \$ 174,630 | |
| Other State Revenue | 3,832,066 | 3,811,176 | (20,890) | 67,183 | 66,390 | \$ (793) |
| Other Local Revenue | 1,000,177 | 1,017,484 | 17,307 | 228,231 | 195,113 | (33,118) |
| Total Revenues | 14,414,147 | 14,166,284 | (247,863) | 470,044 | 436,133 | (33,911) |
| EXPENDITURES | | | | | | |
| Certificated Salaries | 5,800,750 | 5,725,291 | 75,459 | | | |
| Classified Salaries | 1,843,232 | 1,800,232 | 43,000 | 99,609 | 99,609 | |
| Employee Benefits | 1,789,700 | 1,720,783 | 68,917 | 36,044 | 35,674 | 370 |
| Books and Supplies | 1,052,789 | 827,986 | 224,803 | 187,522 | 187,516 | 6 |
| Services and Other | | | | | | |
| Operating Expenditures | 2,801,024 | 2,704,976 | 96,048 | 269,681 | 65,836 | 203,845 |
| Capital Outlay | 303,743 | 230,547 | 73,196 | 329,955 | 15,372 | 314,583 |
| Debt Service: | | | | | | |
| Principal Retirement | 82,349 | 82,349 | | | | |
| Interest and Fiscal Charges | 39,617 | 38,024 | 1,593 | | | |
| Other Expenditures | 165,828 | 164,787 | 1,041 | | | |
| Total Expenditures | 13,859,032 | 13,094,975 | 764,057 | 922,811 | 404,007 | 518,804 |
| Excess of Revenues Over (Under) Expenditures | 555,115 | 1,071,309 | 516,194 | (452,767) | 32,126 | 484,893 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | | | | 233,388 | 265,128 | 31,740 |
| Operating Transfers Out | (242,259) | (273,999) | (31,740) | | | |
| Total Other Financing Sources (Uses) | (242,259) | (273,999) | (31,740) | 233,388 | 265,128 | 31,740 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | \$ 312,856 | 797,310 | \$ 484,454 | \$ (219,379) | 297,254 | \$ 516,633 |
| Fund Balances - July 1, 2000 (As restated - Note 17) | | 1,036,772 | | | 219,379 | |
| Fund Balances - June 30, 2001 | | \$ 1,834,082 | | | \$ 516,633 | |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN SWETT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

| Capital Projects Funds | | | Totals (Memorandum Only) | | |
|------------------------|--------------|----------------------------------|--------------------------|--------------|----------------------------------|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| | | | \$ 3,628,087 | \$ 3,594,225 | \$ (33,862) |
| | | | 5,354,001 | 5,272,852 | (81,149) |
| | | | 8,982,088 | 8,867,077 | (115,011) |
| | | | 774,446 | 645,177 | (129,269) |
| | | | 5,167,418 | 6,680,615 | 1,513,197 |
| | | | 1,339,562 | 1,364,886 | 25,324 |
| | | | 16,263,514 | 17,557,755 | 1,294,241 |
| | | | 5,800,750 | 5,725,291 | 75,459 |
| | | | 1,942,841 | 1,899,841 | 43,000 |
| | | | 1,805,744 | 1,756,457 | 49,287 |
| | | | 1,271,732 | 815,502 | 456,230 |
| 31,421 | | 31,421 | | | |
| 21,155 | 12,674 | 8,481 | 3,091,860 | 2,783,486 | 308,374 |
| 1,416,242 | 1,222,936 | 193,306 | 2,049,940 | 1,468,855 | 581,085 |
| 17,495 | 17,495 | | 99,844 | 99,844 | |
| 8,450 | 5,856 | 2,594 | 48,067 | 43,880 | 4,187 |
| | | | 165,828 | 164,787 | 1,041 |
| 1,494,763 | 1,258,961 | 235,802 | 16,276,606 | 14,757,943 | 1,518,663 |
| (115,440) | 1,696,377 | 1,811,817 | (13,092) | 2,799,812 | 2,812,904 |
| 80,239 | 80,239 | | 313,627 | 345,367 | 31,740 |
| (71,368) | (71,368) | | (313,627) | (345,367) | (31,740) |
| 8,871 | 8,871 | 0 | 0 | 0 | 0 |
| \$ (106,569) | 1,705,248 | \$ 1,811,817 | \$ (13,092) | 2,799,812 | \$ 2,812,904 |
| | 138,843 | | | 1,394,994 | |
| | \$ 1,844,091 | | | \$ 4,194,806 | |

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The John Swett Unified School District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

In determining its reporting entity, the District considered all governmental units that were members of the District since inception. The criteria did not require the inclusion of these entities in the District's financial statements principally because the District does not exercise oversight responsibility over any members.

C. Fund Accounting

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

GOVERNMENTAL FUNDS:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

JOHN SWETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

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

1. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
3. Special Reserve Fund is used to account for resources reserved for technology projects.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains four capital projects funds:

1. Capital Facilities Fund is used to account for resources received from ~~developer impact fees~~ assessed under provisions of the California Environmental Quality Act (CEQA).
2. State School Building Lease-Purchase Fund is used for the construction and acquisition of school facilities funded by State apportionments.
3. Special Reserve Fund is used to account for special capital projects as designated by the Board of Education.
4. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

FIDUCIARY FUNDS:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains three agency funds, one for each school's student body.

ACCOUNT GROUP:

The accounting and reporting treatment applied to the long-term liabilities and fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the Account Group of the District.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

JOHN SWETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt which is recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JOHN SWETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

JOHN SWETT UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

G. 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.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. This liability is recognized in the general long-term debt account group. The value of accumulated unpaid vacation benefits at June 30, 2001 was \$20,689.

Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

I. Deferred Revenue

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in revenue that cannot be recognized until such expenditures are incurred.

J. Fund Balance Reserves and Designations

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

K. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if not paid by December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

L. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Authorized Deposits/Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the Contra Costa County Treasurer. The County pools these funds and invests the cash. These pooled funds are carried at cost, which approximates fair value. Any investment losses are proportionately shared by all funds in the pool.

At June 30, 2001, the fair value of the District's share of pooled investments in the Contra Costa County Treasury exceeded cost by \$14,416. Based on the fundamental assumption that Governmental Accounting Standards Board (GASB) standards need not be applied to immaterial items, the District has elected to continue reporting pooled investments at cost in these financial statements.

The County may invest in accordance with section 53601 and 53635 of the California Government Code:

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit placed with commercial banks or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificates of participation
- Obligations with first priority security
- Collateralized mortgage obligations

Credit Risk

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

Deposits held in banks are fully insured by the Federal Depository Insurance Corporation or collateralized with securities held by the banks.

Derivative Investments

The District did not directly enter into any derivative investments. Information relating to the use of derivative investments by the County was not available.

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

Cash Balances

Cash at June 30, 2001 consisted of the following:

| | |
|------------------------------|--------------|
| Pooled Funds: | |
| Cash in County Treasury, net | \$ 3,865,102 |
| Deposits: | |
| Cash on Hand and in Banks | 128,657 |
| Cash in Revolving Fund | 4,000 |
| Cash with Fiscal Agent | 2,100,250 |

Cash with Fiscal Agent will be used to repay the tax revenue anticipation notes on July 5, 2001.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

| Funds | Excess Expenditures |
|--------------------------------|------------------------|
| Special Revenue Funds: | |
| Cafeteria Fund: | |
| Contract Services | \$ 4,530 |
| Capital Projects Funds: | |
| State School Building Fund: | |
| Capital Outlay | 25,511 |

The District incurred unanticipated expenditures in the above expenditure classifications for which the budget was not revised.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2001 consist of the following:

| | General Fund | Special Revenue Funds | Capital Projects Funds | Totals |
|--------------------------|-----------------|-----------------------------|------------------------------|------------|
| Federal Government | | | | |
| Categorical Aid Programs | \$ 80,716 | \$ 29,163 | | \$ 109,879 |
| State Government | | | | |
| Categorical Aid Programs | \$ 91,984 | \$ 1,984 | | \$ 93,968 |
| Lottery | 108,885 | | | 108,885 |
| Special Allowances | 110,703 | 53,206 | | 163,909 |
| Total State | \$ 311,572 | \$ 55,190 | | \$ 366,762 |
| Local Governments | \$ 39,499 | | | \$ 39,499 |
| Interest | \$ 124,263 | \$ 504 | \$ 7,680 | \$ 132,447 |
| Miscellaneous | \$ 60,133 | \$ 64,825 | | \$ 124,958 |

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2001 are as follows:

| Fund | Interfund Receivables | Interfund Payables |
|--------------------------|--------------------------|-----------------------|
| General | \$ 1,135 | \$ 140,802 |
| Special Revenue Funds: | | |
| Cafeteria | | 1,135 |
| Special Reserve | 140,802 | |
| Capital Projects Funds: | | |
| State School Building | 1,133,718 | |
| County School Facilities | | 1,133,718 |
| Totals | <u>\$ 1,275,655</u> | <u>\$ 1,275,655</u> |

B. Interfund Transfers

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

Interfund transfers for fiscal year 2000-01 were as follows:

| | |
|--|-------------------|
| Transfer from General Fund to Deferred Maintenance Fund to match state allocation | \$ 55,151 |
| Transfer from General Fund to Cafeteria Fund to supplement cash flow | 5,140 |
| Transfer from General Fund to Capital Facilities Fund to reimburse expenditures | 8,871 |
| Transfer from County School Facilities Fund to Capital Facilities Fund to reimburse expenditures | 12,020 |
| Transfer from Capital Projects - Special Reserve Fund to Capital Facilities Fund to reimburse expenditures | 59,348 |
| Transfer from General Fund to Special Revenue - Special Reserve Fund to establish a new fund for technology projects | 204,837 |
| Total Transfers | <u>\$ 345,367</u> |

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 6 - CAPITAL LEASES

The District leases equipment and buildings under agreements, which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

| Year Ending June 30 | Lease Payments |
|---|-------------------|
| 2002 | \$ 70,231 |
| 2003 | 51,668 |
| 2004 | 50,856 |
| 2005 | 50,656 |
| 2006 | 50,556 |
| Thereafter | <u>387,160</u> |
| Total payments | 661,127 |
| Less amounts representing interest | <u>(181,151)</u> |
| Present value of net minimum lease payments | <u>\$ 479,976</u> |

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment and buildings.

NOTE 7 - OPERATING LEASES

The District has entered into various operating leases with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to the lessors, but unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

| Year Ending June 30 | Lease Payments |
|------------------------|-------------------|
| 2002 | <u>\$ 5,017</u> |

The District will receive no sublease rental revenues nor pay any contingent rentals for the items being leased.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

The District has entered into various early retirement incentive agreements with certain eligible employees, which require no further services to be performed.

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

Future estimated payments required under these early retirement agreements at June 30, 2001 are as follows:

| Year ended June 30 | Retiree Health Benefits | STRS Golden Handshakes | Totals |
|--|-------------------------------|------------------------------|-------------------|
| 2002 | \$ 71,888 | \$ 84,517 | \$ 156,405 |
| 2003 | 60,037 | 59,593 | 119,630 |
| 2004 | 55,065 | | 55,065 |
| 2005 | 47,077 | | 47,077 |
| 2006 | 39,531 | | 39,531 |
| Thereafter | <u>69,687</u> | | <u>69,687</u> |
| Total Payments | 343,285 | 144,110 | 487,395 |
| Less Amount Representing Interest | | <u>(12,210)</u> | <u>(12,210)</u> |
| Present Value of Net Minimum Payments | <u>\$ 343,285</u> | <u>\$ 131,900</u> | <u>\$ 475,185</u> |

NOTE 9 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2001, is as follows:

| | Balance* July 1, 2000 | Additions | Deductions | Balance June 30, 2001 |
|-----------------------------------|--------------------------|------------------|-------------------|--------------------------|
| Compensated Absences | \$ 22,442 | | \$ 1,753 | \$ 20,689 |
| Capital Leases | 503,876 | | 23,900 | 479,976 |
| Other Post Employment Benefits | <u>507,928</u> | <u>\$ 43,201</u> | <u>75,944</u> | <u>475,185</u> |
| Totals | <u>\$ 1,034,246</u> | <u>\$ 43,201</u> | <u>\$ 101,597</u> | <u>\$ 975,850</u> |

* The beginning balance of long-term debt has been restated to reflect prior year corrections, which include an understatement of capital leases in the amount of \$466,964 and an understatement of other post employment benefits in the amount of \$249,701.

NOTE 10 - FUND BALANCE

A. Reservations of fund balance in the General Fund as of June 30, 2001 are as follows:

| | |
|---------------------|-------------------|
| Revolving Fund | \$ 4,000 |
| Restricted Programs | <u>418,410</u> |
| Total | <u>\$ 422,410</u> |

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 10 - FUND BALANCE (CONCLUDED)

A. Reserved for Revolving Fund represents the portion of the ending fund Balance represented by the revolving fund cash.

Reserved for Restricted Programs reflects unspent program revenues, which are legally restricted for future use.

Restricted program balances at June 30, 2001 are as follows:

| | |
|---|-------------------|
| Peer Assistance and Review | \$ 39,732 |
| California Public School Library | 39,482 |
| Classroom Libraries | 7,483 |
| School Safety | 49,609 |
| District Block Grant | 36,283 |
| Schiff-Bustamante Instructional Materials | 85,455 |
| Instructional Materials | 58,734 |
| Lottery Instructional Materials | 58,222 |
| Teenage Pregnancy Prevention | 255 |
| English Language Acquisition Program | 9,557 |
| Science Laboratory Materials | 641 |
| Professional Development | 9,766 |
| Vacation Buyout | 23,191 |
| Total | \$ 418,410 |

B. Designations of ending fund balance in the General Fund as of June 30, 2001 are as follows:

| | |
|-----------------------------|-------------------|
| Economic Uncertainties | \$ 429,371 |
| School Site Block Grant | 46,494 |
| High Achieving API | 120,770 |
| School Employee Performance | 95,957 |
| Total | \$ 692,592 |

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under retirement 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).

A. 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 plan members and 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, 7667 Folsom Boulevard, Sacramento, California 95826.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

A. State Teachers' Retirement System (STRS) (Concluded)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$421,318, \$431,641, and \$424,894, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% 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 2000-01 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2001, 2000, and 1999, were \$0, \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS). This payment consists of state general fund contributions to STRS in the amount of \$350,731 (6.126% of salaries subject to STRS). The District has chosen not to include the revenues and expenditures for the payment in the financial statements. This amount represents a financial disclosure only and would not change the fund balance of any District fund had they been recorded.

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000-01, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years. (See Note 14 for the nature of District participation in the JPAs)

NOTE 14 - JOINT VENTURES

The District participates in two joint ventures under joint powers agreements (JPAs); the Central Region Schools Insurance Group (CRSIG) for Property and Liability Insurance and the Contra Costa County School Insurance Group (CCCSIG) for Workers' Compensation Insurance. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

Condensed audited financial information of CCCSIG for the year ended June 30, 2001; and condensed audited financial information of CRSIG for the year ended June 30, 2000; the most recent available, is as follows:

| | CRSIG Property and Liability | CCCSIG Workers' Compensation |
|---|------------------------------------|------------------------------------|
| Total Assets | \$ 15,047,899 | \$ 52,241,761 |
| Total Liabilities | \$ 4,388,425 | \$ 31,491,367 |
| Total Fund Equity | <u>10,659,474</u> | <u>20,750,394</u> |
| Total Liabilities and Fund Equity | <u>\$ 15,047,899</u> | <u>\$ 52,241,761</u> |
| Total Revenues | \$ 9,844,214 | \$ 17,124,791 |
| Total Expenditures | <u>9,022,266</u> | <u>19,469,319</u> |
| Net Increase (Decrease) in Fund Equity | <u>\$ 821,948</u> | <u>\$ (2,344,528)</u> |

The JPAs did not have long-term debt outstanding at June 30, 2001 and June 30, 2000, respectively. The Districts share of year-end assets, liabilities and fund equity has not been calculated.

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 15 - STUDENT BODY FUNDS

Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area, for some fundraisers, does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A Questioned Costs - Incentives for Longer Instructional Day Compliance

During fiscal year 2000-01, the District did not comply with the instructional minutes requirements of Education Code Section 46201, and did not qualify for incentive funding for providing a longer instructional day for students in grades 9-12. In addition, the District fell below the 1982-83 base year instructional minutes for the same grade span. As a result, the California Department of Education has determined that the longer day incentive penalty for grades 9-12 is \$116,274 and the penalty for falling below the 1982-83 base year instructional minutes is \$946,760. As of June 30, 2001, in accordance with Education Code Section 46206, the State Board of Education does not appear to have the authority to waive penalties, which are levied for failing to maintain the prescribed minimum day, unless the instructional minute shortfall is 900 minutes or less. Since the District offered 58,038 minutes of instruction at the 9-12 grade span, instead of the required 64,890 instructional minutes offered in the 1982-83 base year, applying for a waiver from the State Board of Education does not appear to be an option for the District. Accordingly, the District will likely have to pay both penalty amounts, unless the District is able to obtain a waiver through legislative action by the California State Legislature. The District is currently investigating all possible appeal processes to ameliorate the circumstance resulting from assessment of the excessive penalties. In the event the District is required to pay the penalties assessed, it appears the District has the option to request a payment plan for a period not to exceed eight years. As of the completion of the fiscal year 2000-01 audit, these issues have not been resolved. These financial statements do not contain any adjustments related to this non-compliance, since the outcome of the District's attempts to obtain a waiver or negotiate a payment plan, cannot reasonably be determined at this time.

B Questioned Costs - Public Contract Code Compliance

During fiscal year 2000-01, the District entered into a contract for a public project valued in excess of \$100,000, without performing the appropriate competitive bidding process required by Public Contract Code Section 20111. As a result, District projects will likely receive more scrutiny, and the District's ability to obtain future state funding for construction and/or maintenance projects may be adversely affected. These financial statements do not include any adjustments related to this non-compliance, since the potential effects cannot reasonably be determined at this time.

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. State and Federal Allowances, Awards and Grants

The District has received other state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 17 - RESTATEMENT OF FUND BALANCE

The July 1, 2000 fund balance of the General Fund has been restated to reflect the corrections of prior year accounts receivable balances. The fund balance has been restated to correct a prior year understatement of state staff development buyback revenue in the amount of \$72,038, an understatement of Morgan Hart revenue in the amount of \$25,245, and an overstatement of Class Size Reduction K-3 revenue in the amount of \$9,284.

The July 1, 2000 fund balance of the Capital Facilities Fund has been restated to correct a prior year overstatement of accounts payable, relating to contract services, which were improperly recorded in the Capital Facilities Fund, instead of the Capital Projects - Special Reserve Fund

The effects of these restatements on these financial statements are as follows:

| | General Fund | Capital Facilities Fund | Special Reserve Fund |
|---|--------------------|-------------------------------|----------------------------|
| Fund Balance - July 1, 2000 (as originally stated) | \$ 948,773 | \$ 0 | \$106,569 |
| Understatement of Staff Development Revenue | 72,038 | | |
| Understatement of Morgan Hart Revenue | 25,245 | | |
| Overstatement of Class Size Reduction Revenue | (9,284) | | |
| Overstatement of Contract Service Expenditures | | 14,850 | |
| Understatement of Contract Service Expenditures | | | (14,850) |
| Total Restatements | <u>87,999</u> | <u>14,850</u> | <u>(14,850)</u> |
| Fund Balance - July 1, 2000 (as restated) | <u>\$1,036,772</u> | <u>\$ 14,850</u> | <u>\$ 91,719</u> |

NOTE 18 - DEFICIT FUND BALANCE

At June 30, 2001, the Cafeteria Fund has a deficit fund balance of \$9,014. The District expects to eliminate the deficit by transferring funds from the General Fund.

JOHN SWETT UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 19 - SUBSEQUENT EVENTS

A. Senate Bill 178

On October 5, 2001, the Governor approved Senate Bill 178, which was filed with the Secretary of State on October 7, 2001. The bill authorizes the State Board of Education to waive the fiscal penalties for a school district that fails to maintain the prescribed minimum length of time for the instructional school year, upon the condition that the school in which the instructional minutes were lost, maintains instructional minutes equal to those lost in addition to the amount otherwise prescribed by law for twice the number of years that it failed to maintain the prescribed minimum length of time for the school year, commencing not later than the year in which the waiver was granted and continuing for each succeeding school year until the condition is satisfied. It is unclear whether Senate Bill 178 will have any direct effect on the District's ability to obtain a waiver for the non-compliance described in Note 16A, but it is very clear that the intent of the law is to encourage districts to make up lost minutes of instruction, and not indirectly penalize students who were not responsible for the instructional minutes shortfall. Accordingly, since the District is pursuing a waiver that would enable the District to make up the lost instructional minutes, in lieu of the assessment of fiscal penalties that would significantly impair the District's ability to provide the same level of educational programs, it appears that the District and State of California are pursuing the same goal.

B. Tax and Revenue Anticipation Notes (TRANS)

On July 3, 2001, the District issued tax and revenue anticipation notes (TRANS) for \$2,000,000. The notes mature on July 2, 2002, and bear interest at 3.25%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

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LAFAYETTE ELEMENTARY SCHOOL DISTRICT
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Lafayette School District
Lafayette, California

We have audited the combined and combining general-purpose financial statements of the Lafayette School District as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The District does not maintain complete historical cost records for its fixed assets. Accordingly, a Statement of General Fixed Assets, which is required under generally accepted accounting principles, is not included in this report.

Lack of certain internal control procedures and supporting records limits us to expressing an independent auditor's opinion on recorded transactions of the Student Body Fund. (Note 12)

In our opinion, except for the omission of a Statement of General Fixed Assets, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, the combined general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lafayette School District at June 30, 2001 and the results of its operations and the cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining general purpose-financial statements referred to above present fairly in all material respects the financial position of each individual fund of the Lafayette School District at June 30, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 14, 2001 on our consideration of the Lafayette School District's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulation, contracts and grants.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

September 14, 2001

LAFAYETTE SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2001

| | Governmental Fund Types | | | | Proprietary Fund Type | Fiduciary Fund Types | Account Group | Totals (Memorandum Only) |
|---|-------------------------|---------------------|---------------------|----------------------|--------------------------|-------------------------|----------------------|--------------------------------|
| | General | Special Revenue | Debt Service | | | | | |
| ASSETS | | | | | | | | |
| Cash in County Treasury (Note 2) | \$ 3,682,484 | \$ 171,778 | \$ 1,288,031 | | | | | |
| Cash on Hand and in Bank | | | | | | | | |
| Cash in Revolving Fund | 10,000 | | | | | | | |
| Cash with Fiscal Agent | 3,214,800 | | | \$ 1,306,521 | \$ 322 | \$ 33,920 | | \$ 6,483,056 |
| Investments (Note 2) | 299,839 | 3,600,598 | | | | 36,950 | | 36,950 |
| Accounts Receivable (Note 4) | | | | | | | | 10,000 |
| Federal Government | 63,842 | | | | | | | 3,214,800 |
| State Government | 433,920 | 94,669 | | 9,737,010 | 65,292 | 12,452 | | 13,715,191 |
| Interest | 27,068 | 47,860 | 3,864 | | | | | 63,842 |
| Miscellaneous | 75,719 | | | | | | | 528,589 |
| Amount Available in Special Revenue Funds | | | | 144,276 | 865 | 299 | | 224,232 |
| Amount Available in Debt Service Funds | | | | | | | | 75,719 |
| Amount Available in Expendable Trust Funds | | | | | | | \$ 144,854 | 144,854 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | | 1,291,895 | 1,291,895 |
| Total Assets | <u>\$ 7,807,672</u> | <u>\$ 3,914,905</u> | <u>\$ 1,291,895</u> | | | | 46,671 | 46,671 |
| LIABILITIES AND FUND EQUITY | | | | | | | 27,851,665 | 27,851,665 |
| Liabilities: | | | | <u>\$ 11,187,807</u> | <u>\$ 66,479</u> | <u>\$ 83,621</u> | <u>\$ 29,335,085</u> | <u>\$ 53,687,464</u> |
| Deficit Cash Balances | | \$ 195,824 | | | | | | |
| Accounts Payable | \$ 528,244 | | | | | | | |
| Due to Student Groups | | | | \$ 329,799 | | | | \$ 525,623 |
| Deferred Revenue (Note 11) | 345,497 | | | 885,362 | | | | 1,413,606 |
| Compensated Absences (Note 1H) | | | | | | \$ 36,950 | | 36,950 |
| Tax Revenue Anticipation Notes (Note 2) | 3,359,800 | | | | | | | 345,497 |
| General Obligation Bonds (Note 6) | | | | | | | \$ 133,409 | 133,409 |
| Other Post Employment Benefits (Note 7) | | | | | | | | 3,359,800 |
| Total Liabilities | <u>4,233,541</u> | <u>195,824</u> | | | | | 28,950,000 | 28,950,000 |
| Fund Equity: | | | | | | | 251,676 | 251,676 |
| Fund Balances: (Note 1J & 9) | | | | <u>1,215,161</u> | | <u>36,950</u> | <u>29,335,085</u> | <u>35,016,561</u> |
| Reserved | 1,154,245 | 144,854 | \$ 1,291,895 | | | | | |
| Unreserved: | | | | | | | | |
| Designated | 854,513 | 3,199,456 | | | | 46,671 | | 2,637,665 |
| Undesignated | 1,565,373 | 374,771 | | | | | | |
| Retained Earnings | | | | | | | | 4,053,969 |
| Total Fund Equity | <u>3,574,131</u> | <u>3,719,081</u> | <u>1,291,895</u> | 9,972,646 | \$ 66,479 | | 0 | 11,912,790 |
| Total Liabilities and Fund Equity | <u>\$ 7,807,672</u> | <u>\$ 3,914,905</u> | <u>\$ 1,291,895</u> | <u>9,972,646</u> | <u>\$ 66,479</u> | <u>46,671</u> | <u>0</u> | <u>18,670,903</u> |
| | | | | <u>\$ 11,187,807</u> | <u>\$ 66,479</u> | <u>\$ 83,621</u> | <u>\$ 29,335,085</u> | <u>\$ 53,687,464</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LAFAYETTE SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | Governmental Fund Types | | Expendable Trust | | | Totals (Memorandum Only) |
|---|-------------------------|-----------------|------------------|------------------|------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Retiree Benefits | |
| REVENUES | | | | | | |
| Revenue Limit Sources: | | | | | | |
| State Apportionment | \$ 5,325,729 | | | | | |
| Local Sources | 9,278,258 | | | | | |
| Total Revenue Limit Sources | 14,603,987 | | | | | \$ 5,325,729 |
| Federal Revenue | 423,655 | | | | | 9,278,258 |
| Other State Revenue | 5,773,365 | \$ 97,213 | | | | 14,603,987 |
| Other Local Revenue | 3,106,889 | 215,234 | | | | 423,655 |
| Total Revenues | 23,907,896 | 312,447 | \$ 28,479 | \$ 4,968,384 | \$ 2,141 | 10,867,441 |
| | | | 2,026,842 | 1,189,075 | | 6,540,181 |
| | | | 2,055,321 | 6,157,459 | 2,141 | 32,435,264 |
| EXPENDITURES | | | | | | |
| Certificated Salaries | 11,851,838 | | | | | 11,851,838 |
| Classified Salaries | 3,481,071 | | | | | 3,481,071 |
| Employee Benefits | 3,035,602 | | | | | 3,103,517 |
| Books and Supplies | 1,114,862 | | | | | 1,114,862 |
| Services and Other | | | | | 67,915 | |
| Operating Expenditures | 1,613,427 | 18 | | | | |
| Capital Outlay | 911,746 | 38,630 | | | | |
| Debt Service: | | | | 256,628 | | 1,870,073 |
| Principal Retirement | | | | 4,146,059 | | 5,096,435 |
| Interest and Fiscal Charges | | | | | | |
| Other Expenditures | 348,445 | | 24,605,000 | | | 24,605,000 |
| Total Expenditures | 22,356,991 | 38,648 | 3,459,535 | | | 3,459,535 |
| Excess of Revenues Over (Under) Expenditures | 1,550,905 | 273,799 | 28,064,535 | 4,402,687 | 67,915 | 54,930,776 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | 272,457 | 111,456 | (26,009,214) | 1,754,772 | (65,774) | (22,495,512) |
| Operating Transfers Out | (266,456) | (196,457) | | | | |
| Other Sources | | | | 65,000 | 90,000 | 538,913 |
| Total Other Financing Sources (Uses) | 6,001 | (85,001) | 26,570,000 | (76,000) | | (538,913) |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses | 1,556,906 | 188,798 | 26,570,000 | (11,000) | 90,000 | 26,570,000 |
| Fund Balances - July 1, 2000 | 2,017,225 | 3,530,283 | 560,786 | 1,743,772 | 24,226 | 4,074,488 |
| Fund Balances - June 30, 2001 | \$ 3,574,131 | \$ 3,719,081 | 731,109 | 8,228,874 | 22,445 | 14,529,936 |
| | | | \$ 1,291,895 | \$ 9,972,646 | \$ 46,671 | \$ 18,604,424 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LAFAYETTE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND TYPE -
SELF-INSURANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | <u>Self-Insurance</u> |
|--------------------------------------|-----------------------|
| Non-Operating Revenues and Expenses: | |
| Interest Income | \$ 3,908 |
| Fiscal Charges | <u>(16)</u> |
| Net Income | 3,892 |
| Retained Earnings - July 1, 2000 | <u>62,587</u> |
| Retained Earnings - June 30, 2001 | <u>\$ 66,479</u> |

LAFAYETTE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE - SELF-INSURANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | <u>Self-Insurance</u> |
|--|-----------------------|
| Cash Flows From Investing Activities: | |
| Interest Income | \$ 3,983 |
| Fiscal Charges | <u>(16)</u> |
| Net Increase in Cash | 3,967 |
| Cash and Cash Equivalents - July 1, 2000 | <u>61,647</u> |
| Cash and Cash Equivalents - June 30, 2001 | <u>\$ 65,614</u> |
| <u>Reconciliation of Net Income to Net Cash Provided By Investing Activities</u> | |
| Net Income | \$ 3,892 |
| Decrease in Accounts Receivable | <u>75</u> |
| Net Cash Provided by Investing Activities | <u>\$ 3,967</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The Lafayette School District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

In determining its reporting entity, the District considered all governmental units that were members of the District since inception. The criteria did not require the inclusion of these entities in the District's financial statements principally because the District does not exercise oversight responsibility over any members.

C. Fund Accounting

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

GOVERNMENTAL FUNDS:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

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

1. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
2. Special Reserve Fund is used to accumulate resources to fully fund the District's obligation for accrued compensated absences, as well as provide a reserve for special projects as determined by the Governing Board of the District.

Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs. The District maintains one Debt Service Fund:

1. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains four capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA) for the purchase of portable classrooms.
2. Building Fund is used to account for the construction and renovation of school facilities.
3. Special Reserve Fund is used to account for special building projects as determined by the District.
4. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the Retiree Benefit Fund, which is used to accumulate resources for future payment of retiree benefits. (See Note 7)

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains five agency funds to account for student body activities at each school site.

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

PROPRIETARY FUND:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to accumulate resources to pay for the deductible portion of the District's insured claims.

ACCOUNT GROUP:

The accounting and reporting treatment applied to the long-term liabilities and fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the Account Group of the District.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expense are recorded at the time liabilities are incurred. The district applies all applicable Financial Accounting Standards Board (FASB) pronouncements in accounting and reporting for the operations of its proprietary fund.

Trust and Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. This liability is recognized in the general long-term debt account group. The value of accumulated unpaid vacation benefits at June 30, 2001 was \$133,409.

Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

LAFAYETTE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Deferred Revenue

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in revenue that cannot be recognized until such expenditures are incurred.

J. Fund Balance Reserves and Designations

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

K. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

L. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if not paid by December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

M. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Authorized Deposits/Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the Contra Costa County Treasurer. The County pools these funds and invests the cash. These pooled funds are carried at cost, which approximates fair value. Any investment losses are proportionately shared by all funds in the pool.

LAFAYETTE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Authorized Deposits/Investments (Concluded)

At June 30, 2001, the fair value of the District's share of pooled investments in the Contra Costa County Treasury exceeded cost by \$25,865. Based on the fundamental assumption that Governmental Accounting Standards Board (GASB) standards need not be applied to immaterial items, the District has elected to continue reporting pooled investments at cost in these financial statements.

The County may invest in accordance with section 53601 and 53635 of the California Government Code:

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit placed with commercial banks or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificates of participation
- Obligations with first priority security
- Collateralized mortgage obligations

Credit Risk

Investments in pools managed by other governments or in mutual funds are not required to be categorized. Deposits held in banks are fully insured by the Federal Depository Insurance Corporation or collateralized with securities held by the banks.

Derivative Investments

The District did not directly enter into any derivative investments. Information relating to the use of derivative investments by the County was not available.

Cash Balances

Cash at June 30, 2001 consisted of the following:

| | |
|------------------------------|--------------|
| Pooled Funds: | |
| Cash in County Treasury, net | \$ 5,957,433 |
| Deposits: | |
| Cash on Hand and in Banks | 36,950 |
| Cash in Revolving Fund | 10,000 |
| Cash with Fiscal Agent | 3,214,800 |

Cash with Fiscal Agent of \$3,214,800 will be used to repay the tax revenue anticipation notes on July 5, 2001.

LAFAYETTE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

Investment Balances

Investments at June 30, 2001 are presented below, categorized separately to give an indication of the level of risk associated with each investment:

| | Category* | | Carrying Amount | Fair Value |
|------------------------------|-----------|---------------|-----------------|---------------|
| | 1 | 2 | | |
| Local Agency Investment Fund | \$ 0 | \$ 13,715,191 | \$ 13,715,191 | \$ 13,715,191 |

* Category 1 includes investments that are insured or collateralized.
 Category 2 includes investments that are not insured or collateralized.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There was no excess of expenditures over appropriations in any fund during fiscal year 2000-01.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2001 consist of the following:

| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Projects Funds | Proprietary Fund | Expendable Trust | Totals |
|--------------------|--------------|-----------------------|-------------------|------------------------|------------------|------------------|------------|
| Federal Government | | | | | | | |
| Categorical | | | | | | | |
| Aid Programs | \$ 63,842 | | | | | | \$ 63,842 |
| State Government | | | | | | | |
| Categorical | | | | | | | |
| Aid Programs | \$ 92,931 | | | | | | \$ 92,931 |
| Lottery | 195,786 | | | | | | 195,786 |
| Special Allowances | 145,203 | \$ 94,669 | | | | | 239,872 |
| Total State | \$ 433,920 | \$ 94,669 | | | | | \$ 528,589 |
| Interest | \$ 27,068 | \$ 47,860 | \$ 3,864 | \$ 144,276 | \$ 865 | \$ 299 | \$ 224,232 |
| Miscellaneous | \$ 75,719 | | | | | | \$ 75,719 |

LAFAYETTE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Transfers

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

Interfund transfers for fiscal year 2000-01 were as follows:

| | |
|---|------------------|
| Transfer from General Fund to Deferred Maintenance Fund to match state allocation | \$ 111,456 |
| Transfer from Capital Projects - Special Reserve Fund to General Fund for technology projects | 76,000 |
| Transfer from General Fund to Capital Projects - Special Reserve Fund for playground safety equipment | 65,000 |
| Transfer from Special Revenue - Special Reserve Fund to General Fund to transfer interest | <u>196,457</u> |
| Subtotal | 448,913 |
| Transfer from General Fund to Retiree Benefit Fund to increase reserve for retiree benefits | <u>90,000</u> |
| Total Transfers | \$538,913 |

NOTE 6 - GENERAL OBLIGATION BONDS

On April 1, 2001, the District issued general obligation bonds in the amount of \$26,570,000. The proceeds from the bond were used to refund \$13,900,000 and \$10,375,000 of the outstanding balance of the 1996 and 1997 bonds issues, respectively.

The outstanding general obligation bonded debt of the Lafayette School District at June 30, 2001 is as follows:

| Date Of Issue | Interest Rate % | Maturity Date | Amount of Original Issue | Outstanding July 1, 2000 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2001 |
|---------------|-----------------|---------------|--------------------------|--------------------------|----------------------|-----------------------|---------------------------|
| 1996 | 5.3-7.5 | 2007 | \$ 15,000,000 | \$ 14,975,000 | | \$ 13,950,000 | \$ 1,025,000 |
| 1997 | 5.3-7.5 | 2005 | 12,300,000 | 12,010,000 | | 10,655,000 | 1,355,000 |
| 2001 | 4.1-5.0 | 2022 | 26,570,000 | | \$ 26,570,000 | | 26,570,000 |
| | | | <u>\$ 53,870,000</u> | <u>\$ 26,985,000</u> | <u>\$ 26,570,000</u> | <u>\$ 24,605,000</u> | <u>\$ 28,950,000</u> |

LAFAYETTE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2001, are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|----------------------|----------------------|----------------------|
| 2002 | \$ 650,000 | \$ 542,501 | \$ 1,192,501 |
| 2003 | 600,000 | 1,348,870 | 1,948,870 |
| 2004 | 685,000 | 1,308,195 | 1,993,195 |
| 2005 | 690,000 | 1,261,360 | 1,951,360 |
| 2006 | 795,000 | 1,223,745 | 2,018,745 |
| Thereafter | <u>25,530,000</u> | <u>11,931,225</u> | <u>37,461,225</u> |
| Totals | <u>\$ 28,950,000</u> | <u>\$ 17,615,896</u> | <u>\$ 46,565,896</u> |

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

The District provides health benefits to eligible employees for a specified period of years. An eligible employee is one who is at least 55 years of age, who has rendered a minimum of 14 years of service. The District will pay health insurance premiums up to a specified monthly amount. Future estimated payments for individuals currently receiving health benefits are as follows:

| Year Ending June 30 | Health Benefits |
|------------------------|--------------------|
| 2002 | \$ 51,142 |
| 2003 | 48,619 |
| 2004 | 43,323 |
| 2005 | 34,227 |
| 2006 | 30,277 |
| Thereafter | <u>44,088</u> |
| Total | <u>\$ 251,676</u> |

NOTE 8 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below.

| | Balance July 1, 2000 | Additions | Deductions | Balance June 30, 2001 |
|--------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| Compensated Absences | \$ 108,356 | \$ 25,053 | | \$ 133,409 |
| General Obligation Bonds | 26,985,000 | 26,570,000 | \$ 24,605,000 | 28,950,000 |
| Other Post Employment Benefits | <u>263,891</u> | | <u>12,215</u> | <u>251,676</u> |
| Totals | <u>\$ 27,357,247</u> | <u>\$ 26,595,053</u> | <u>\$ 24,617,215</u> | <u>\$ 29,335,085</u> |

LAFAYETTE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 9 - FUND BALANCES

A. Reservations of fund balance as of June 30, 2001 are as follows:

| | General Fund | Special Revenue Funds | Debt Service Fund | Expendable Trust Fund | Totals |
|---------------------|---------------------|-----------------------------|-------------------------|-----------------------------|---------------------|
| Revolving Fund | \$ 10,000 | | | | \$ 10,000 |
| Debt Service | | \$ 144,854 | \$ 1,291,895 | \$ 46,671 | 1,483,420 |
| Restricted Programs | <u>1,144,245</u> | | | | <u>1,144,245</u> |
| | <u>\$ 1,154,245</u> | <u>\$ 144,854</u> | <u>\$ 1,291,895</u> | <u>\$ 46,671</u> | <u>\$ 2,637,665</u> |

Reserved for Revolving Fund represents the portion of the ending fund balance represented by the revolving fund cash.

Reserved for Debt Service includes \$144,854 in the Special Reserve – Special Revenue Fund, reserved for future payment of compensated absences; \$1,291,895 in the Bond Interest and Redemption Fund, reserved for payment of interest and redemption of bond principal, and \$46,671 in the Retiree Benefits Fund, reserved for future payment of retiree benefits.

Reserved for Restricted Programs reflects program revenues, unspent at June 30, 2001, that are legally restricted for future use.

Restricted program balances at June 30, 2001 are as follows:

| | |
|---|---------------------|
| Schiff-Bustamante Instructional Materials | \$ 353,796 |
| Instructional Materials – K-8 | 69,616 |
| Lottery Instructional Materials | 68,414 |
| Peer Assistance and Review | 27,255 |
| School Safety | 12,873 |
| California Public School Library | 54,501 |
| Classroom Library Materials | 6,836 |
| High Achieving Schools | 145,526 |
| School Improvement & Pupil Achievement | 234,247 |
| API Employee Performance Bonus | <u>171,181</u> |
| Total | <u>\$ 1,144,245</u> |

B. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. Designations of fund balance as of June 30, 2001 are as follows:

| | General Fund | Special Revenue Funds |
|--------------------------|-------------------|-----------------------------|
| Economic Uncertainties | \$ 692,758 | |
| Science Lab Carryover | 67,000 | |
| School Site Carryover | 94,755 | |
| Investment | | \$ 3,000,000 |
| Future Interest Transfer | | <u>199,456</u> |
| Total | <u>\$ 854,513</u> | <u>\$ 3,199,456</u> |

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under retirement 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).

A. 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 plan members and 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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$860,914, \$805,963, and \$761,529, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Funding Policy

Active plan members are required to contribute 7.0% 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 2000-01 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2001, 2000, and 1999, were \$0, \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 Education. This payment consists of state general fund contributions to STRS in the amount of \$639,268 (6.126% of salaries subject to STRS). The District has chosen not to include the revenues and expenditures for this payment in the financial statements. This amount represents a financial disclosure only and would not change the fund balance of any District fund had they been recorded.

NOTE 12 - STUDENT BODY FUNDS

Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area, for some fundraisers, does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000-01, the District participated in three joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years. (See Note 14 for the nature of District participation in the JPAs)

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 14 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance; the Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) for Property and Liability Insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

Nature of Participation

Property

| | | |
|----------------------|-----------|--------------|
| District Deductible: | \$ 1,000 | |
| JPA's SIR: | 25,000 | |
| Excess Insurance: | 1,000,000 | (Commercial) |
| | 5,000,000 | (Commercial) |

Liability

| | | |
|----------------------|-----------|--------------|
| District Deductible: | \$ 0 | |
| JPA's SIR: | 25,000 | |
| Excess Insurance: | 1,000,000 | (Commercial) |
| | 5,000,000 | (Commercial) |

Condensed audited financial information for CCCSIG for the year ended June 30, 2001, and condensed audited financial information for CCSCSDSIA and SSICCC for the year ended June 30, 2000, the most recent available, is as follows:

| | CCSCSDSIA Property and Liability | CCCSIG Workers' Compensation | SSICCC Dental and Vision |
|---|--|------------------------------------|--------------------------------|
| Total Assets | <u>\$ 950,939</u> | <u>\$ 52,241,761</u> | <u>\$ 2,382,518</u> |
| Total Liabilities | \$ 945,201 | \$ 31,491,367 | \$ 1,135,024 |
| Total Fund Equity | <u>5,738</u> | <u>20,750,394</u> | <u>1,247,494</u> |
| Total Liabilities and Fund Equity | <u>\$ 950,939</u> | <u>\$ 52,241,761</u> | <u>\$ 2,382,518</u> |
| Total Revenues | \$ 397,489 | \$ 17,124,791 | \$ 11,895,542 |
| Total Expenditures | <u>624,188</u> | <u>19,469,319</u> | <u>11,439,234</u> |
| Net Increase (Decrease) in Fund Equity | <u>\$ (226,699)</u> | <u>\$ (2,344,528)</u> | <u>\$ 456,308</u> |

The JPAs did not have long-term debt outstanding at June 30, 2001 and June 30, 2000, respectively. The Districts share of year-end assets, liabilities and fund equity has not been calculated.

LAFAYETTE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 15 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 16 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 3, 2001 the District issued \$2,800,000 of tax and revenue anticipation notes (TRANS). The notes mature on July 2, 2002 and bear interest at 3.25%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

LIBERTY UNION HIGH SCHOOL DISTRICT
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Liberty Union High School District
Brentwood, California

We have audited the combined and combining general-purpose financial statements of the Liberty Union High School District as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The District does not maintain complete historical cost records for its fixed assets. Accordingly, a Statement of General Fixed Assets, which is required under generally accepted accounting principles, is not included in this report.

Lack of certain internal control procedures and supporting records limits us to expressing an independent auditor's opinion on recorded transactions of the Student Body Fund (Note 14).

In our opinion, except for the omission of a Statement of General Fixed Assets, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, the combined general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Union High School District at June 30, 2001 and the results of its operations and the cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining general-purpose financial statements referred to above present fairly in all material respects the financial position of each individual fund of the Liberty Union High School District at June 30, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 13, 2001 on our consideration of the Liberty Union High School District's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

November 13, 2001

LIBERTY UNION HIGH SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2001

| | Governmental Fund Types | | | Capital Projects | Proprietary Fund Type Self- Insurance | Fiduciary Fund Types Trust and Agency | Account Group General Long-term Debt | Totals (Memorandum Only) |
|---|-------------------------|---------------------|-------------------|----------------------|--|--|--|--------------------------------|
| | General | Special Revenue | Debt Service | | | | | |
| ASSETS | | | | | | | | |
| Cash in County Treasury (Note 2) | \$ 201,652 | \$ 1,006,330 | \$ 982,278 | | | | | |
| Cash on Hand and in Bank | | | | | | | | |
| Cash in Revolving Fund | 10,000 | 4,200 | | \$ 4,008,868 | \$ 1,427 | \$ 52,037 | | \$ 6,252,592 |
| Cash with Fiscal Agent | 3,767,344 | | | | | 602,179 | | 602,179 |
| Investments (Note 2) | 171,615 | 706,188 | | | | | | 14,200 |
| Accounts Receivable (Note 4) | | | | 179,652 | | | | 3,946,996 |
| Federal Government | 264,102 | 16,631 | | 5,091,016 | | 122,790 | | 6,091,609 |
| State Government | 536,884 | 126,754 | | | | | | |
| Local Government | 761,255 | | 3,656 | | | | | |
| Interest | 285,696 | 3,617 | | | | | | 280,733 |
| Miscellaneous | 176,154 | 17,027 | | | | | | 663,638 |
| Due from Other Funds (Note 5) | 938,920 | 137,751 | | 43,724 | 3 | 160 | | 764,911 |
| Stores Inventory (Note 11) | 40,020 | 9,084 | | | | 40 | | 333,200 |
| Amount Available in District Funds | | | | 704,459 | | | | 193,221 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | | \$ 1,170,967 | 1,781,130 |
| Total Assets | <u>\$ 7,153,642</u> | <u>\$ 2,027,582</u> | <u>\$ 985,934</u> | | | | | 49,104 |
| | | | | | | | | 1,170,967 |
| | | | | | | | 35,602,186 | 35,602,186 |
| LIABILITIES AND FUND EQUITY | | | | <u>\$ 10,027,719</u> | <u>\$ 1,430</u> | <u>\$ 777,206</u> | <u>\$ 36,773,153</u> | <u>\$ 57,746,666</u> |
| Liabilities: | | | | | | | | |
| Deficit Cash Balances | | \$ 81,766 | | | | | | |
| Accounts Payable | \$ 858,614 | 25,294 | | | | | | \$ 81,766 |
| Due to Other Funds (Note 5) | 794,017 | 45,988 | | | | | | 1,167,961 |
| Due to Student Groups | | | | \$ 283,803 | | \$ 250 | | 1,781,130 |
| Deferred Revenue (Note 1K) | 318,342 | | | 941,125 | | | | 602,179 |
| Compensated Absences (Note 1J) | | | | | | 602,179 | | 318,342 |
| Tax Revenue Anticipation Notes (Note 2) | 3,937,344 | | | | | | | 155,355 |
| General Obligation Bonds (Note 6) | | | | | | | \$ 155,355 | 3,937,344 |
| Certificates of Participation (Note 7) | | | | | | | | 31,780,000 |
| Capital Leases (Note 8) | | | | | | | | 3,275,000 |
| Notes Payable (Note 9) | | | | | | | | 262,798 |
| Total Liabilities | <u>5,908,317</u> | <u>153,048</u> | | | | | | 1,300,000 |
| Fund Balances (Note 1L, 11) | | | | | | | | |
| Reserved | 410,104 | 13,284 | \$ 985,934 | <u>1,224,928</u> | | <u>602,429</u> | <u>36,773,153</u> | <u>44,661,875</u> |
| Unreserved: | | | | | | | | |
| Designated | 770,000 | | | 185,033 | | 174,777 | | 1,769,132 |
| Undesignated | 65,221 | 1,861,250 | | | | | | |
| Retained Earnings | | | | 1,166,000 | | | | 1,936,000 |
| Total Fund Equity | <u>1,245,325</u> | <u>1,874,534</u> | <u>985,934</u> | <u>7,451,758</u> | | | | <u>9,378,229</u> |
| Total Liabilities and Fund Equity | <u>\$ 7,153,642</u> | <u>\$ 2,027,582</u> | <u>\$ 985,934</u> | | <u>\$ 1,430</u> | | | <u>1,430</u> |
| | | | | <u>8,802,791</u> | <u>1,430</u> | <u>174,777</u> | <u>0</u> | <u>13,084,791</u> |
| | | | | <u>\$ 10,027,719</u> | <u>\$ 1,430</u> | <u>\$ 777,206</u> | <u>\$ 36,773,153</u> | <u>\$ 57,746,666</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | Governmental Fund Types | | Expendable Trust | | | Totals (Memorandum Only) |
|---|-------------------------|---------------------|-------------------|---------------------|-------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Scholarship Fund | |
| REVENUES | | | | | | |
| Revenue Limit Sources: | | | | | | |
| State Apportionment | \$ 8,743,340 | \$ 558,254 | | | | |
| Local Sources | 9,635,373 | | | | | |
| Total Revenue Limit Sources | 18,378,713 | 558,254 | | | | \$ 9,301,594 |
| Federal Revenue | 623,213 | 57,939 | | | | 9,635,373 |
| Other State Revenue | 4,357,099 | 329,055 | | | | 18,936,967 |
| Other Local Revenue | 2,473,428 | 856,308 | | | | 681,152 |
| Total Revenues | 25,832,453 | 1,801,556 | \$ 59,595 | | | 4,745,749 |
| | | | 2,974,539 | \$ 5,278,767 | \$ 8,289 | 11,591,331 |
| EXPENDITURES | | | | | | |
| Certificated Salaries | 11,913,367 | 426,670 | 3,034,134 | 5,278,767 | 8,289 | 35,955,199 |
| Classified Salaries | 4,661,616 | 426,349 | | | | |
| Employee Benefits | 3,416,609 | 154,858 | | | | |
| Books and Supplies | 1,251,779 | 391,351 | | | | 12,340,037 |
| Services and Other | | | | 32,175 | | 5,120,140 |
| Operating Expenditures | 2,990,850 | 95,107 | | 6,369 | | 3,577,836 |
| Capital Outlay | 628,658 | 265,407 | | | | 1,643,130 |
| Debt Service: | | | | | | |
| Principal Retirement | 78,200 | | | 260,697 | | 3,346,654 |
| Interest and Fiscal Charges | 19,222 | 5,323 | | 5,776,344 | | 6,670,409 |
| Other Expenditures | 560,846 | 51,021 | 20,345,000 | | | 20,563,200 |
| Total Expenditures | 25,521,147 | 1,816,086 | 3,104,382 | 200,216 | | 3,329,143 |
| Excess of Revenues Over (Under) Expenditures | 311,306 | (14,530) | 23,449,382 | 3,841 | | 615,708 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | 150,000 | 232,654 | (20,415,248) | (1,140,875) | 8,289 | (21,251,058) |
| Operating Transfers Out | (232,654) | | | | | |
| Other Sources | | | | 5,980,063 | | 6,362,717 |
| Other Uses | | | | (6,130,063) | | (6,362,717) |
| Total Other Financing Sources (Uses) | (82,654) | 232,654 | 19,360,000 | 303,235 | 6,333 | 19,669,568 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | 228,652 | 218,124 | 19,360,000 | 153,235 | (9,319) | 19,653,916 |
| Fund Balances - July 1, 2000 (As restated - Note 17) | 1,016,673 | 1,656,410 | (1,055,248) | (987,640) | (1,030) | (1,597,142) |
| Fund Balances - June 30, 2001 | <u>\$ 1,245,325</u> | <u>\$ 1,874,534</u> | <u>2,041,182</u> | <u>9,790,431</u> | <u>175,807</u> | <u>14,680,503</u> |
| | | | <u>\$ 985,934</u> | <u>\$ 8,802,791</u> | <u>\$ 174,777</u> | <u>\$ 13,083,361</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General Fund | | | Special Revenue Funds | | |
|---|--------------|--------------|----------------------------------|-----------------------|--------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Revenue Limit Sources | | | | | | |
| State Apportionment | \$ 8,743,340 | \$ 8,743,340 | | \$ 558,254 | \$ 558,254 | |
| Local Sources | 9,635,373 | 9,635,373 | | | | |
| Total Revenue Limit | 18,378,713 | 18,378,713 | | 558,254 | 558,254 | |
| Federal Revenue | 623,215 | 623,213 | \$ (2) | 58,694 | 57,939 | \$ (755) |
| Other State Revenue | 4,357,098 | 4,357,099 | 1 | 329,800 | 329,055 | (745) |
| Other Local Revenue | 2,474,400 | 2,473,428 | (972) | 849,481 | 856,308 | 6,827 |
| Total Revenues | 25,833,428 | 25,832,453 | (973) | 1,796,229 | 1,801,556 | 5,327 |
| EXPENDITURES | | | | | | |
| Certificated Salaries | 11,913,367 | 11,913,367 | | 426,670 | 426,670 | |
| Classified Salaries | 4,661,617 | 4,661,616 | 1 | 426,349 | 426,349 | |
| Employee Benefits | 3,416,609 | 3,416,609 | | 154,858 | 154,858 | |
| Books and Supplies | 1,251,780 | 1,251,779 | 1 | 391,351 | 391,351 | |
| Services and Other | | | | | | |
| Operating Expenditures | 2,990,852 | 2,990,850 | 2 | 95,108 | 95,107 | 1 |
| Capital Outlay | 628,658 | 628,658 | | 265,407 | 265,407 | |
| Debt Service | | | | | | |
| Principal Retirement | 78,200 | 78,200 | | | | |
| Interest and Fiscal Charges | 19,222 | 19,222 | | | 5,323 | (5,323) |
| Other Expenditures | 560,846 | 560,846 | | 51,021 | 51,021 | |
| Total Expenditures | 25,521,151 | 25,521,147 | 4 | 1,810,764 | 1,816,086 | (5,322) |
| Excess of Revenues Over (Under) Expenditures | 312,275 | 311,306 | (969) | (14,535) | (14,530) | 5 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | 149,932 | 150,000 | 68 | 232,655 | 232,654 | (1) |
| Operating Transfers Out | (232,654) | (232,654) | | | | |
| Other Sources | | | | | | |
| Total Other Financing Sources (Uses) | (82,722) | (82,654) | 68 | 232,655 | 232,654 | (1) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | \$ 229,553 | 228,652 | \$ (901) | \$ 218,120 | 218,124 | \$ 4 |
| Fund Balances - July 1, 2000 (As restated - Note 17) | | 1,016,673 | | | 1,656,410 | |
| Fund Balances - June 30, 2001 | | \$ 1,245,325 | | | \$ 1,874,534 | |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

| Debt Service Funds | | | Capital Projects Funds | | | Totals (Memorandum Only) | | |
|--------------------|--------------|----------------------------------|------------------------|--------------|----------------------------------|--------------------------|--------------|----------------------------------|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| | | | | | | | | |
| | | | | | | \$ 9,301,594 | \$ 9,301,594 | |
| | | | | | | 9,635,373 | 9,635,373 | |
| | | | | | | 18,936,967 | 18,936,967 | |
| | | | | | | 681,909 | 681,152 | \$ (757) |
| | \$ 59,595 | \$ 59,595 | | | | 4,686,898 | 4,745,749 | 58,851 |
| \$ 741,884 | 2,974,539 | 2,232,655 | \$ 5,289,148 | \$ 5,278,767 | \$ (10,381) | 9,354,913 | 11,583,042 | 2,228,129 |
| 741,884 | 3,034,134 | 2,292,250 | 5,289,148 | 5,278,767 | (10,381) | 33,660,687 | 35,946,910 | 2,286,223 |
| | | | | | | | | |
| | | | | | | 12,340,037 | 12,340,037 | |
| | | | | | | 5,120,141 | 5,120,140 | 1 |
| | | | | | | 3,577,836 | 3,577,836 | |
| | | | | | | 1,643,131 | 1,643,130 | 1 |
| | | | | | | | | |
| | | | | | | 231,604 | 260,697 | (29,093) |
| | | | | | | 5,776,345 | 5,776,344 | 1 |
| | | | | | | 6,670,410 | 6,670,409 | 1 |
| 20,345,000 | 20,345,000 | | 140,000 | 140,000 | | 20,563,200 | 20,563,200 | |
| 1,855,943 | 3,104,382 | (1,248,439) | 159,463 | 200,216 | (40,753) | 2,034,628 | 3,329,143 | (1,294,515) |
| | | | 3,841 | 3,841 | | 615,708 | 615,708 | |
| 22,200,943 | 23,449,382 | (1,248,439) | 6,349,797 | 6,419,642 | (69,845) | 55,882,655 | 57,206,257 | (1,323,602) |
| (21,459,059) | (20,415,248) | 1,043,811 | (1,060,649) | (1,140,875) | (80,226) | (22,221,968) | (21,259,347) | 962,621 |
| | | | | | | | | |
| | | | | | | 5,980,063 | 5,980,063 | |
| | | | | | | (6,130,063) | (6,130,063) | |
| 19,360,000 | 19,360,000 | | 303,235 | 303,235 | | 19,663,235 | 19,663,235 | |
| 19,360,000 | 19,360,000 | 0 | 153,235 | 153,235 | 0 | 19,663,168 | 19,663,235 | 67 |
| \$ (2,099,059) | (1,055,248) | \$ 1,043,811 | \$ (907,414) | (987,640) | \$ (80,226) | \$ (2,558,800) | (1,596,112) | \$ 962,688 |
| | 2,041,182 | | | 9,790,431 | | | 14,504,696 | |
| \$ 985,934 | | | \$ 8,802,791 | | | \$ 12,908,584 | | |

LIBERTY UNION HIGH SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN RETAINED EARNINGS - PROPRIETARY FUND TYPE
 SELF-INSURANCE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | |
|--------------------------------------|-----------------|
| Non-Operating Revenues and Expenses: | |
| Interest Income | \$ 75 |
| Fiscal Charges | <u>(21)</u> |
| Net Income | 54 |
| Retained Earnings - July 1, 2000 | <u>1,376</u> |
| Retained Earnings - June 30, 2001 | <u>\$ 1,430</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - SELF-INSURANCE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | |
|---|-----------------|
| Cash Flows From Investing Activities: | |
| Interest Income | \$ 72 |
| Proceeds from Sale of Investments | 5 |
| Fiscal Charges | <u>(21)</u> |
| Net Increase in Cash | 56 |
| Cash and Cash Equivalents - July 1, 2000 | <u>1,371</u> |
| Cash and Cash Equivalents - June 30, 2001 | <u>\$ 1,427</u> |

Reconciliation of Net Income to Net
 Cash Provided By Investing Activities

| | |
|---|--------------|
| Net Income | \$ 54 |
| Decrease in Investment | 5 |
| Increase in Accounts Receivable | <u>(3)</u> |
| Net Cash Provided by Investing Activities | <u>\$ 56</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

In determining its reporting entity, the District considered all governmental units that were members of the District since inception. The criteria did not require the inclusion of these entities in the District's financial statements principally because the District does not exercise oversight responsibility over any members.

C. Fund Accounting

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

GOVERNMENTAL FUNDS:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

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

1. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
3. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
4. Pupil Transportation Fund is used to account for revenues received and expenditures made for student transportation.

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

1. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains five capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. State School Building Lease-Purchase Fund is used to account for the building of new schools and related equipment from state apportionments (Education Code Section 17708).
3. Building Fund is used to account for acquisition of major governmental facilities financed from the sale of bonds.
4. Special Reserve Fund is used to account for special building projects as determined by the District.
5. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

PROPRIETARY FUND

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to provide a reserve for future claims.

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains three agency funds for the student body.

ACCOUNT GROUP:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources".

Thus, the long-term liabilities associated with Governmental Funds are accounted for in the Account Group of the District.

General Long -Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on long-term debt, which is recognized when due.

Trust and Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

LIBERTY UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

These budgets are revised by the District's governing board and District superintendent, during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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.

H. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows of the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents. As of June 30, 2001, there were no cash equivalents other than amounts on deposit with the County Treasurer.

I. Inventories

Inventories are recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

J. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. This liability is recognized in the general long-term debt account group. The value of accumulated vacation at June 30, 2001 was \$155,355.

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Compensated Absences (Concluded)

Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

K. Deferred Revenue

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in revenue that cannot be recognized until such expenditures are incurred.

L. Fund Balance Reserves and Designations

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

M. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if not paid by December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

N. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Authorized Deposits/Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the Contra Costa County Treasurer. The County pools these funds and invests the cash. These pooled funds are carried at cost, which approximates fair value. Any investment losses are proportionately shared by all funds in the pool.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Authorized Deposits/Investments (Concluded)

At June 30, 2001, the fair value of the District's share of pooled investments in the Contra Costa County Treasury exceeded cost by \$23,017. Based on the fundamental assumption that Governmental Accounting Standards Board (GASB) standards need not be applied to immaterial items, the District has elected to continue reporting pooled investments at cost in these financial statements.

The County may invest in accordance with section 53601 and 53635 of the California Government Code:

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit placed with commercial banks or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificates of participation
- Obligations with first priority security
- Collateralized mortgage obligations

Credit Risk

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

Deposits held in banks are fully insured by the Federal Depository Insurance Corporation or collateralized with securities held by the banks.

Cash Balances

Cash at June 30, 2001 consisted of the following:

| | |
|------------------------------|--------------|
| Pooled Funds: | |
| Cash in County Treasury, net | \$ 6,170,826 |
| Deposits: | |
| Cash on Hand and in Banks | 602,179 |
| Cash in Revolving Fund | 14,200 |
| Cash with Fiscal Agent | 3,946,996 |

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation.

Cash with Fiscal Agent consists of \$3,767,344, which will be used to repay the tax revenue anticipation notes on July 3, 2001, and \$179,652 held by State Street Bank as trustee, for future payment of interest and redemption of principal related to certificates of participation.

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

Investments

Investments at June 30, 2001 consist of the following:

| | Category * | | Carrying Amount | Fair Value |
|------------------------------|--------------|--------------|--------------------|---------------|
| | 1 | 2 | | |
| Local Agency Investment Fund | \$ 6,091,609 | \$ 6,091,609 | \$ 6,091,609 | |

* Category 1 includes investments that are insured or collateralized.
 Category 2 includes investments that are not insured or collateralized.

Derivative Investments

The District did not directly enter into any derivative investments.

Information relating to the use of derivative investments by the County was not available.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

| Fund | Excess Expenditures |
|--|------------------------|
| <u>Special Revenue Funds:</u> | |
| Cafeteria Fund: Debt Service - Interest and Fiscal Charges | \$ 5,323 |
| <u>Debt Service Fund:</u> | |
| Bond Interest and Redemption Fund: Debt Service - Interest and Fiscal Charges | 1,128,439 |
| <u>Capital Projects Funds:</u> | |
| Capital Facilities Fund: Contract Services | 29,093 |
| Debt Service - Interest and Fiscal Charges | 28,346 |
| County School Facilities Fund: Debt Service - Interest and Fiscal Charges | 12,407 |

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised. The District does not adopt a budget for the Bond Interest and Redemption Fund, which is under the control of the Contra Costa County Auditor.

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 4 - RECEIVABLES

Receivables at June 30, 2001 consist of the following:

| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Projects Funds | Internal Service Fund | Trust and Agency Funds | Totals |
|---------------------------------------|-----------------|-----------------------------|-------------------------|------------------------------|-----------------------------|---------------------------------|------------|
| Federal Government Categorical Aid | \$ 264,102 | \$ 16,631 | | | | | \$ 280,733 |
| State Government State Aid | | \$ 19,304 | | | | | \$ 19,304 |
| Categorical Programs | \$ 85,402 | 443 | | | | | 85,845 |
| Lottery | 202,914 | | | | | | 202,914 |
| Special Allowances | 248,568 | 107,007 | | | | | 355,575 |
| Total State | \$ 536,884 | \$ 126,754 | | | | | \$ 663,638 |
| Local Governments | \$ 781,255 | | \$ 3,656 | | | | \$ 784,911 |
| Interest | \$ 285,696 | \$ 3,617 | | \$ 43,724 | \$ 3 | \$ 160 | \$ 333,200 |
| Miscellaneous | \$ 176,154 | \$ 17,027 | | | | \$ 40 | \$ 193,221 |

NOTE 5 - INTERFUND TRANSACTIONS

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2001 are as follows:

| | Interfund Receivables | Interfund Payables |
|-----------------------------------|--------------------------|-----------------------|
| General Fund | \$ 938,920 | \$ 794,017 |
| <u>Special Revenue Funds:</u> | | |
| Cafeteria | 67,752 | |
| Adult Education | | 15,000 |
| Pupil Transportation | 69,999 | 30,988 |
| <u>Capital Project Funds:</u> | | |
| State School Building Building | 4,468 | 704,459 |
| Special Reserve | 660,833 | 222,089 |
| County School Facilities | 39,158 | 14,577 |
| Totals | \$ 1,781,130 | \$ 1,781,130 |

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

B. 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 2000-01 fiscal year were as follows:

| | |
|--|----------------------------|
| Transfer from General Fund to Deferred Maintenance Fund to match State allocation | \$ 125,891 |
| Transfer from General Fund to Cafeteria Fund to cover operating expenses | 67,752 |
| Transfer from General Fund to Pupil Transportation Fund for the purchase of buses and other transportation equipment | 39,011 |
| Transfer from Capital Projects - Special Reserve Fund to General Fund to reimburse prior year transfers for payroll related expenditures | 150,000 |
| Transfer from Building Fund to County School Facilities Fund to pay for costs associated with the construction of a third high school | 3,436,985 |
| Transfer from Building Fund to State School Building Fund to pay for Liberty High School Joint-Use Gymnasium | 1,582,245 |
| Transfer from Building Fund to Capital Projects - Special Reserve Fund to pay for Freedom High School completion | 960,833 |
| Total | <u>\$ 6,362,717</u> |

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 6 - GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the Liberty Union High School District at June 30, 2001, is as follows:

| Date of Issue | Interest Rate % | Maturity Date | Amount of Original Issue | Outstanding July 1, 2000 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2001 |
|---------------|-----------------|---------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 1992 | 3.50-6.10 | 2015 | \$ 10,890,000 | \$ 8,395,000 | | \$ 8,395,000 | \$ 0 |
| 1995 | 6.00-9.00 | 2019 | 12,000,000 | 11,675,000 | | 11,675,000 | 0 |
| 1996 | 5.10-8.00 | 2020 | 13,000,000 | 12,695,000 | | 275,000 | 12,420,000 |
| 2001 | 4.00-4.875 | 2020 | <u>19,360,000</u> | | <u>\$ 19,360,000</u> | | <u>19,360,000</u> |
| | | | <u>\$ 55,250,000</u> | <u>\$ 32,765,000</u> | <u>\$ 19,360,000</u> | <u>\$ 20,345,000</u> | <u>\$ 31,780,000</u> |

Annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2001, are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------|-----------------------------|-----------------------------|-----------------------------|
| 2002 | \$ 330,000 | \$ 1,343,675 | \$ 1,673,675 |
| 2003 | 1,220,000 | 1,507,580 | 2,727,580 |
| 2004 | 1,390,000 | 1,441,480 | 2,831,480 |
| 2005 | 1,445,000 | 1,369,780 | 2,814,780 |
| 2006 | 1,515,000 | 1,294,440 | 2,809,440 |
| Thereafter | <u>25,880,000</u> | <u>9,741,160</u> | <u>35,621,160</u> |
| Totals | <u>\$ 31,780,000</u> | <u>\$ 16,698,115</u> | <u>\$ 48,478,115</u> |

NOTE 7 - CERTIFICATES OF PARTICIPATION

In December 1996, the District issued certificates of participation in the amount of \$3,670,000 with an interest rate of 4.45%. At June 30, 2001, the principal balance outstanding was \$3,275,000.

The certificates mature through 2016 as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------|----------------------------|----------------------------|----------------------------|
| 2002 | \$ 145,000 | \$ 140,894 | \$ 285,894 |
| 2003 | 150,000 | 134,274 | 284,274 |
| 2004 | 160,000 | 127,523 | 287,523 |
| 2005 | 165,000 | 119,730 | 284,730 |
| 2006 | 170,000 | 112,469 | 282,469 |
| Thereafter | <u>2,485,000</u> | <u>629,476</u> | <u>3,114,476</u> |
| Totals | <u>\$ 3,275,000</u> | <u>\$ 1,264,366</u> | <u>\$ 4,539,366</u> |

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 8 - CAPITAL LEASES

The District leases equipment under lease agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments under these agreements are as follows:

| Year Ended <u>June 30</u> | Lease <u>Payments</u> |
|---|--------------------------|
| 2002 | \$ 96,733 |
| 2003 | 85,333 |
| 2004 | 85,333 |
| 2005 | <u>21,333</u> |
| Total Payments | 288,732 |
| Less Amount Representing Interest | <u>(25,934)</u> |
| Present Value of Net Minimum Lease Payments | <u>\$ 262,798</u> |

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 9 - NOTES PAYABLE

The District entered into an agreement to purchase a school site from the Brentwood Union School District for \$2.5 million. The Liberty Union School District paid \$1.2 million to the Brentwood Union School District during fiscal year 1997-98, and is committed to pay the remaining balance of \$1.3 million over the subsequent eight years. The purchased school site is currently being used for the Alternative Education Programs of the District.

Future payments required under the agreement are as follows:

| Year Ended <u>June 30</u> | |
|-----------------------------------|---------------------|
| 2002 | \$ 39,000 |
| 2003 | 39,000 |
| 2004 | 433,333 |
| 2005 | 433,333 |
| 2006 | <u>433,334</u> |
| Total Payments | 1,378,000 |
| Less Amount Representing Interest | <u>(78,000)</u> |
| Present Value of Net Payments | <u>\$ 1,300,000</u> |

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 10 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below:

| | Balance* <u>July 1, 2000</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>June 30, 2001</u> |
|-------------------------------|---------------------------------|----------------------|----------------------|---------------------------------|
| Compensated Absences | \$ 176,207 | | \$ 20,852 | \$ 155,355 |
| General Obligation Bonds | 32,765,000 | \$ 19,360,000 | 20,345,000 | 31,780,000 |
| Certificates of Participation | 3,415,000 | | 140,000 | 3,275,000 |
| Capital Leases | 340,998 | | 78,200 | 262,798 |
| Notes Payable | <u>1,300,000</u> | | | <u>1,300,000</u> |
| Totals | <u>\$ 37,997,205</u> | <u>\$ 19,360,000</u> | <u>\$ 20,584,052</u> | <u>\$ 36,773,153</u> |

* The July 1, 2000 balance of long-term debt has been restated to reflect a \$140,000 current year payment for certificates of participation principal, which was incorrectly reported as an advance payment made during fiscal year 1999-00.

NOTE 11 - FUND BALANCE

Reservations of fund balance as of June 30, 2001 are as follows:

| | General <u>Fund</u> | Special Revenue <u>Funds</u> | Debt Service <u>Funds</u> | Capital Project <u>Funds</u> | Expendable Trust <u>Fund</u> | <u>Totals</u> |
|---------------------|------------------------|------------------------------------|---------------------------------|------------------------------------|------------------------------------|---------------------|
| Revolving Cash | \$ 10,000 | \$ 4,200 | | | | \$ 14,200 |
| Stores Inventory | 40,020 | 9,084 | | | | 49,104 |
| Scholarships | | | | | \$ 174,777 | 174,777 |
| Restricted Programs | 360,084 | | | | | 360,084 |
| Debt Service | | | \$ 985,934 | \$ 185,033 | | 1,170,967 |
| Totals | <u>\$ 410,104</u> | <u>\$ 13,284</u> | <u>\$ 985,934</u> | <u>\$ 185,033</u> | <u>\$ 174,777</u> | <u>\$ 1,769,132</u> |

Reserved for Revolving Fund represents the portion of the ending fund balance represented by the revolving fund cash.

Reserved for Stores Inventory represents the portion of the ending fund balance represented by stores inventory.

Reserved for Scholarships represents the portion of the ending fund balance represented by scholarship cash and investments.

Reserved for Restricted Programs represents unspent program revenues that are legally restricted for future use.

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 11 - FUND BALANCE (CONCLUDED)

Restricted program balances at June 30, 2001 are as follows:

| | |
|--------------------------|-------------------|
| Gifted and Talented | \$ 11,572 |
| API Awards | 77,116 |
| Tenth Grade Counseling | 16,713 |
| Public Library Materials | 67,626 |
| Peer Assistant & Review | 11,284 |
| Block Grant | 81,637 |
| Professional Development | 5,557 |
| School Safety | <u>88,579</u> |
| Total | <u>\$ 360,084</u> |

Reserved for Debt Service includes \$985,934 in the Bond Interest and Redemption Fund, reserved for future payment of interest and redemption of bond principal; \$179,652 in the Capital Facilities Fund, reserved for future payment of interest and redemption of certificates of participation principal; and \$5,381 of accrued interest from the sale of the bonds, erroneously deposited into the Building Fund, which will be transferred to the Bond Interest and Redemption Fund during fiscal year 2001-02.

Designations of ending fund balance as of June 30, 2001 consist of \$770,000 designated for economic uncertainties in the General Fund, \$866,000 designated in the Capital Facilities Fund for future payoff of the note held by Brentwood Union School District (Note 9), and \$300,000 designated in the Capital Facilities Fund for acquisition of furniture, fixtures, and equipment for the third high school.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under retirement 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).

A. 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 plan members and 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, 7667 Folsom Boulevard, Sacramento, California 95826.

LIBERTY UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

A. State Teachers' Retirement System (STRS) (Concluded)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$905,868, \$737,255 and \$667,497, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% 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 2000-01 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2001, 2000, and 1999, were \$0, \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS). This payment consists of state general fund contributions to STRS in the amount of \$755,951 (6.126% of salaries subject to STRS). The District has chosen not to include the revenues and expenditures for the payment in the financial statements. This amount represents a financial disclosure only and would not change the fund balance of any District fund had they been recorded.

LIBERTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 14 - STUDENT BODY FUNDS

Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area, for some fundraisers, does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000-01, the District participated in three joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years. (See Note 16 for the nature of District participation in the JPAs)

NOTE 16 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance; the Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) for Property and Liability Insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

Nature of Participation

Property

| | | | |
|----------------------|----|-----------|--------------|
| District Deductible: | \$ | 1,000 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |

Liability

| | | | |
|----------------------|----|-----------|--------------|
| District Deductible: | \$ | 0 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |

LIBERTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 16 - JOINT VENTURES (CONCLUDED)

Condensed audited financial information for CCCSIG for the year ended June 30, 2001, and condensed audited financial information for CCSCSDSIA and SSICCC for the year ended June 30, 2000, the most recent available, is as follows:

| | CCCSIG Workers' Compensation | CCSCSDSIA Property and Liability | SSICCC Health, Dental and Vision |
|---|------------------------------------|--|--|
| Total Assets | \$ 52,241,761 | \$ 924,390 | \$ 2,382,518 |
| Total Liabilities | \$ 31,491,367 | \$ 691,953 | \$ 1,135,024 |
| Total Fund Equity | 20,750,394 | 232,437 | 1,247,494 |
| Total Liabilities and Fund Equity | \$ 52,241,761 | \$ 924,390 | \$ 2,382,518 |
| Total Revenues | \$ 17,124,791 | \$ 442,163 | \$ 11,895,542 |
| Total Expenditures | 19,469,319 | 386,500 | 11,439,234 |
| Net Increase (Decrease) in Fund Equity | \$ (2,344,528) | \$ 55,663 | \$ 456,308 |

The JPAs did not have long-term debt outstanding at June 30, 2001 and June 30, 2000, respectively. The Districts share of year-end assets, liabilities and fund equity has not been calculated.

NOTE 17 - RESTATEMENT OF FUND BALANCE

The beginning fund balance of the Capital Facilities Fund has been restated to reflect the correction of a prior year understatement of cash with fiscal agent.

| | Capital Facilities Fund |
|---|-------------------------------|
| Fund Balance – July, 1 2000 (as originally stated) | \$ 2,015,064 |
| Understatement of Cash with Fiscal Agent | 235,064 |
| Fund Balance – July 1, 2000 (as restated) | \$ 2,250,128 |

NOTE 18 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

LIBERTY UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 19 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 3, 2001 the District issued tax and revenue anticipation notes (TRANS) for \$4,000,000. The notes mature on July 2, 2002 and bear interest at 3.25%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

MARTINEZ UNIFIED SCHOOL DISTRICT
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Martinez Unified School District
Martinez, California

We have audited the combined and combining general-purpose financial statements of the Martinez Unified School District as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The District does not maintain complete historical cost records for its fixed assets. Accordingly, a Statement of General Fixed Assets, which is required under generally accepted accounting principles, is not included in this report.

Lack of certain internal control procedures and supporting records limits us to expressing an independent auditor's opinion on recorded transactions of the Student Body Fund. (See Note 12)

In our opinion, except for the omission of a Statement of General Fixed Assets, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, the combined general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Martinez Unified School District at June 30, 2001 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining general-purpose financial statements referred to above present fairly in all material respects the financial position of each individual fund of the Martinez Unified School District at June 30, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 2001 on our consideration of the Martinez Unified School District's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 11, 2001

MARTINEZ UNIFIED SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 2001

| | Governmental Fund Types | | | Capital Projects | Fiduciary Fund Types | Account Group | Totals (Memorandum Only) |
|---|-------------------------|---------------------|---------------------|----------------------|-------------------------|------------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | | Trust and Agency | General Long-term Debt | |
| ASSETS | | | | | | | |
| Cash in County Treasury (Note 2) | \$ 1,538,092 | \$ 671,941 | \$ 3,339,853 | \$ 215,831 | \$ 48,549 | | \$ 5,814,266 |
| Cash on Hand and in Bank | | 12,376 | | | 245,210 | | 257,586 |
| Cash in Revolving Fund | 15,000 | 5,000 | | | | | 20,000 |
| Cash with Fiscal Agent | 4,306,622 | | | | | | 4,306,622 |
| Investments (Note 2) | 735,441 | | | 16,445,207 | 149,354 | | 17,330,002 |
| Accounts Receivable (Note 4) | | | | | | | |
| Federal Government | 183,780 | 226,681 | | | | | 410,461 |
| State Government | 575,509 | 569,424 | | | | | 1,144,933 |
| Local Government | 144,783 | 210 | 11,666 | | | | 156,659 |
| Interest | 26,997 | 1,854 | | 156,166 | 2,185 | | 187,202 |
| Miscellaneous | 72,274 | 43,831 | | 18,902 | 66 | | 135,073 |
| Due from Other Funds (Note 5) | 181,090 | 157,159 | | | | | 338,249 |
| Stores Inventory (Note 1H) | 61,751 | 13,598 | | | | | 75,349 |
| Amount Available in Debt Service Funds | | | | | | \$ 3,351,519 | 3,351,519 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | 40,970,506 | 40,970,506 |
| Total Assets | \$ 7,841,339 | \$ 1,702,074 | \$ 3,351,519 | \$ 16,836,106 | \$ 445,364 | \$ 44,322,025 | \$ 74,498,427 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Deficit Cash Balances | | \$ 441,174 | | \$ 477,361 | | | \$ 918,535 |
| Accounts Payable | \$ 442,603 | 114,171 | | 329,746 | \$ 4,027 | | 890,547 |
| Unearned Interest (Note 2) | | | | 1,713,089 | | | 1,713,089 |
| Due to Other Funds (Note 5) | 157,159 | 181,090 | | | | | 338,249 |
| Due to Student Groups | | | | | 245,210 | | 245,210 |
| Deferred Revenue (Note 1J) | 192,643 | 39,399 | | | | | 232,042 |
| Compensated Absences (Note 1I) | | | | | | \$ 245,019 | 245,019 |
| Tax Revenue Anticipation Notes (Note 2) | 4,514,887 | | | | | | 4,514,887 |
| General Obligation Bonds (Note 6) | | | | | | 43,726,355 | 43,726,355 |
| Retiree Benefits (Note 7) | | | | | | 350,651 | 350,651 |
| Total Liabilities | 5,307,292 | 775,834 | | 2,520,196 | 249,237 | 44,322,025 | 53,174,584 |
| Fund Balances (Note 1K, 9) | | | | | | | |
| Reserved | 735,348 | 18,598 | \$ 3,351,519 | | 196,127 | | 4,301,592 |
| Unreserved: | | | | | | | |
| Designated | 1,191,335 | | | | | | 1,191,335 |
| Undesignated | 607,364 | 907,642 | | 14,315,910 | | | 15,830,916 |
| Total Fund Balances | 2,534,047 | 926,240 | 3,351,519 | 14,315,910 | 196,127 | 0 | 21,323,843 |
| Total Liabilities and Fund Balances | \$ 7,841,339 | \$ 1,702,074 | \$ 3,351,519 | \$ 16,836,106 | \$ 445,364 | \$ 44,322,025 | \$ 74,498,427 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | Governmental Fund Types | | Expensible Trust | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|------------------|---------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Scholarship Fund | |
| REVENUES | | | | | | |
| Revenue Limit Sources: | | | | | | |
| State Apportionment | \$ 5,720,925 | \$ 2,679,713 | | | | \$ 8,400,638 |
| Local Sources | 13,461,776 | | | | | 13,461,776 |
| Total Revenue Limit Sources | 19,182,701 | 2,679,713 | | | | 21,862,414 |
| Federal Revenue | 938,233 | 437,294 | | | | 1,375,527 |
| Other State Revenue | 5,726,328 | 231,221 | \$ 47,184 | | | 6,004,733 |
| Other Local Revenue | 998,953 | 1,665,052 | 3,894,963 | \$ 1,241,973 | \$ 11,425 | 7,812,366 |
| Total Revenues | 26,846,215 | 5,013,280 | 3,942,147 | 1,241,973 | 11,425 | 37,055,040 |
| EXPENDITURES | | | | | | |
| Certificated Salaries | 14,707,830 | 1,980,086 | | | | 16,687,916 |
| Classified Salaries | 3,594,308 | 1,037,345 | | 27,960 | | 4,659,613 |
| Employee Benefits | 3,629,045 | 435,768 | | 2,544 | | 4,067,355 |
| Books and Supplies | 1,388,061 | 688,395 | | | 878 | 2,077,334 |
| Services and Other | | | | | | |
| Operating Expenditures | 2,632,329 | 400,539 | | 141,166 | 337 | 3,174,371 |
| Capital Outlay | 398,308 | 619,952 | | 1,742,121 | | 2,760,381 |
| Debt Service: | | | | | | |
| Principal Retirement | | | 27,948,402 | 250,000 | | 28,198,402 |
| Interest and Fiscal Charges | | | 5,787,476 | 7,000 | | 5,794,476 |
| Other Expenditures | 568,405 | 99,517 | | 510 | | 668,432 |
| Total Expenditures | 26,918,286 | 5,261,600 | 33,735,878 | 2,171,301 | 1,215 | 68,088,280 |
| Excess of Revenues Over (Under) Expenditures | (72,071) | (248,320) | (29,793,731) | (929,328) | 10,210 | (31,033,240) |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | 233,025 | 309,556 | | 219,404 | | 761,985 |
| Operating Transfers Out | (528,960) | (218,045) | | (14,980) | | (761,985) |
| Other Sources | | | 30,045,000 | | 6,936 | 30,051,936 |
| Other Uses | | | | | (8,630) | (8,630) |
| Total Other Financing Sources (Uses) | (295,935) | 91,511 | 30,045,000 | 204,424 | (1,694) | 30,043,306 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | (368,006) | (156,809) | 251,269 | (724,904) | 8,516 | (989,934) |
| Fund Balances - July 1, 2000 | 2,902,053 | 1,083,049 | 3,100,250 | 15,040,814 | 187,611 | 22,313,777 |
| Fund Balances - June 30, 2001 | \$ 2,534,047 | \$ 926,240 | \$ 3,351,519 | \$ 14,315,910 | \$ 196,127 | \$ 21,323,843 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General Fund | | | Special Revenue Funds | | | Debt Service Funds | | | Capital Projects Funds | | | Totals (Memorandum Only) | | |
|---|----------------|--------------|----------------------------|-----------------------|--------------|----------------------------|--------------------|--------------|----------------------------|------------------------|---------------|----------------------------|--------------------------|---------------|--------------|
| | Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance |
| | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) | | | |
| REVENUES | | | | | | | | | | | | | | | |
| Revenue Limit Sources: | | | | | | | | | | | | | | | |
| State Apportionment | \$ 6,015,825 | \$ 5,720,925 | \$ (294,900) | \$ 2,628,290 | \$ 2,679,713 | \$ 51,423 | | | | | | | \$ 8,644,115 | \$ 8,400,638 | \$ (243,477) |
| Local Sources | 13,213,806 | 13,461,776 | 247,970 | | | | | | | | | | 13,213,806 | 13,461,776 | 247,970 |
| Total Revenue Limit | 19,229,631 | 19,182,701 | (46,930) | 2,628,290 | 2,679,713 | 51,423 | | | | | | | 21,857,921 | 21,862,414 | 4,493 |
| Federal Revenue | 977,911 | 938,233 | (39,678) | 529,758 | 437,294 | (92,464) | | | | | | | 1,507,669 | 1,375,527 | (132,142) |
| Other State Revenue | 5,780,656 | 5,726,328 | (54,328) | 233,964 | 231,221 | (2,743) | | | | | | | 6,014,620 | 6,004,733 | (9,887) |
| Other Local Revenue | 1,045,190 | 998,953 | (46,237) | 1,766,254 | 1,665,052 | (101,202) | | | | | | | \$ 47,184 | \$ 47,184 | |
| Total Revenues | 27,033,388 | 26,846,215 | (187,173) | 5,158,266 | 5,013,280 | (144,986) | \$ 587,266 | 3,894,863 | 3,307,697 | \$ 547,032 | \$ 1,241,973 | \$ 694,941 | 3,945,742 | 7,800,941 | 3,855,199 |
| | | | | | | | 587,266 | 3,942,147 | 3,354,881 | 547,032 | 1,241,973 | 694,941 | 33,325,952 | 37,043,615 | 3,717,663 |
| EXPENDITURES | | | | | | | | | | | | | | | |
| Certificated Salaries | 14,792,312 | 14,707,830 | 84,482 | 1,978,650 | 1,980,086 | (1,436) | | | | | | | 16,770,962 | 16,687,916 | 83,046 |
| Classified Salaries | 3,626,221 | 3,594,308 | 31,913 | 1,070,331 | 1,037,345 | 32,986 | | | | 35,300 | 27,960 | 7,340 | 4,731,852 | 4,659,613 | 72,239 |
| Employee Benefits | 3,671,226 | 3,629,045 | 42,181 | 461,288 | 435,766 | 25,522 | | | | 3,211 | 2,544 | 667 | 4,135,725 | 4,067,355 | 68,370 |
| Books and Supplies | 2,110,197 | 1,388,061 | 722,136 | 829,837 | 688,395 | 141,442 | | | | 7,500 | | 7,500 | 2,947,534 | 2,076,456 | 871,078 |
| Services and Other | | | | | | | | | | | | | | | |
| Operating Expenditures | 2,929,699 | 2,632,329 | 297,370 | 427,052 | 400,539 | 26,513 | | | | 270,993 | 141,166 | 129,827 | 3,627,744 | 3,174,034 | 453,710 |
| Capital Outlay | 599,245 | 398,308 | 200,937 | 836,589 | 619,952 | 216,637 | | | | 3,936,883 | 1,742,121 | 2,194,762 | 5,372,717 | 2,760,381 | 2,612,336 |
| Debt Service: | | | | | | | | | | | | | | | |
| Principal Retirement | | | | | | | 27,948,402 | 27,948,402 | | 250,000 | 250,000 | | 28,198,402 | 28,198,402 | |
| Interest and Fiscal Charges | | | | | | | 5,784,114 | 5,787,476 | (3,362) | 7,000 | 7,000 | | 5,791,114 | 5,794,476 | (3,362) |
| Other Expenditures | 573,972 | 568,405 | 5,567 | 100,610 | 99,517 | 1,093 | | | | 450 | 510 | (60) | 675,032 | 668,432 | 6,600 |
| Total Expenditures | 28,302,872 | 26,918,286 | 1,384,586 | 5,704,357 | 5,261,600 | 442,757 | 33,732,516 | 33,735,878 | (3,362) | 4,511,337 | 2,171,301 | 2,340,036 | 72,251,082 | 68,087,065 | 4,164,017 |
| Excess of Revenues Over (Under) Expenditures | (1,269,484) | (72,071) | 1,197,413 | (546,091) | (248,320) | 297,771 | (33,145,250) | (29,793,731) | 3,351,519 | (3,964,305) | (929,328) | 3,034,977 | (38,925,130) | (31,043,450) | 7,881,680 |
| Other Financing Sources (Uses): | | | | | | | | | | | | | | | |
| Operating Transfers In | 195,980 | 233,025 | 37,045 | 133,953 | 309,556 | 175,603 | | | | 219,404 | 219,404 | | 549,337 | 761,985 | 212,648 |
| Operating Transfers Out | (353,357) | (528,960) | (175,603) | (181,000) | (218,045) | (37,045) | | | | (14,980) | (14,980) | | (549,337) | (761,985) | (212,648) |
| Other Sources | | | | | | | 30,045,000 | 30,045,000 | | | | | 30,045,000 | 30,045,000 | |
| Total Other Financing Sources (Uses) | (157,377) | (295,935) | (138,558) | (47,047) | 91,511 | 138,558 | 30,045,000 | 30,045,000 | 0 | 204,424 | 204,424 | 0 | 30,045,000 | 30,045,000 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | \$ (1,426,861) | (368,006) | \$ 1,058,855 | \$ (593,138) | (156,809) | \$ 436,329 | \$ (3,100,250) | 251,269 | \$ 3,351,519 | \$ (3,759,881) | (724,904) | \$ 3,034,977 | \$ (8,880,130) | (998,450) | \$ 7,881,680 |
| Fund Balances - July 1, 2000 | | 2,902,053 | | | 1,083,049 | | | 3,100,250 | | | 15,040,814 | | | 22,126,166 | |
| Fund Balances - June 30, 2001 | | \$ 2,534,047 | | | \$ 926,240 | | | \$ 3,351,519 | | | \$ 14,315,910 | | | \$ 21,127,716 | |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

In determining its reporting entity, the District considered all governmental units that were members of the District since inception. The criteria did not require the inclusion of these entities in the District's financial statements principally because the District does not exercise oversight responsibility over any members.

C. Fund Accounting

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

GOVERNMENTAL FUNDS:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

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

1. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
3. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

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

1. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains four capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. Building Fund is used to account for the acquisition of major government capital facilities and buildings from the sale of bonds.
3. Special Reserve Fund is used to account for resources committed to construction of capital improvements as determined by the Board.
4. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains eight agency funds, one for each school's student body.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

ACCOUNT GROUP:

The accounting and reporting treatment applied to the long-term liabilities and fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the Account Group of the District.

General Long -Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest long-term debt, which is recognized when due.

Trust and Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Board of Trustees and District superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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.

H. Inventories

Inventories are recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

I. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. This liability is recognized in the general long-term debt account group. The value of accumulated vacation at June 30, 2001 was \$245,019.

Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

J. Deferred Revenue

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in revenue that cannot be recognized until such expenditures are incurred.

K. Fund Balance Reserves and Designations

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

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

L. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if not paid by December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

M. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Authorized Deposits/Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the Contra Costa County Treasurer. The County pools these funds and invests the cash. These pooled funds are carried at cost which approximates fair value. Any investment losses are proportionately shared by all funds in the pool.

At June 30, 2001, the fair value of the District's share of pooled investments in the Contra Costa County Treasury exceeded cost by \$18,261. Based on the fundamental assumption that Governmental Accounting Standards Board (GASB) standards need not be applied to immaterial items, the District has elected to continue reporting pooled investments at cost in these financial statements.

The County may invest in accordance with section 53601 and 53635 of the California Government Code:

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit placed with commercial banks or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificates of participation
- Obligations with first priority security
- Collateralized mortgage obligations

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

Cash balances held in banks and in revolving funds are fully insured by the Federal Depository Insurance Corporation or collateralized with securities held by the bank, except for the Alhambra High School student body account, which had \$22,400 of uninsured deposits at June 30, 2001.

Derivative Investments

The District did not directly enter into any derivative investments.

Information relating to the use of derivative investments by the County was not available.

Cash Balances

Cash at June 30, 2001 consisted of the following:

Pooled Funds:

Cash in County Treasury, net \$ 4,895,731

Deposits:

Cash on Hand and in Bank 257,586
 Cash in Revolving Fund 20,000
 Cash with Fiscal Agent 4,306,622

Cash with Fiscal Agent of \$4,306,622 will be used to repay the tax revenue anticipation notes on July 5, 2001.

Investments at June 30, 2001 consist of the following:

| | <u>Category **</u> | | <u>Carrying Amount</u> | <u>Fair Market Value</u> |
|-------------------------------|----------------------|----------|------------------------|--------------------------|
| | <u>1</u> | <u>2</u> | | |
| Local Agency Investment Fund | \$ 12,679,002 | | \$ 12,679,002 | \$ 12,679,002 |
| Treasury Strips - At Maturity | <u>4,651,000</u> | | <u>4,651,000</u> | <u>4,651,000</u> |
| Total Investments (A) | <u>\$ 17,330,002</u> | | <u>\$ 17,330,002</u> | <u>\$ 17,330,002</u> |
| Unearned Interest (B)* | <u>\$ 1,713,089*</u> | | <u>\$ 1,713,089*</u> | <u>\$ 1,713,089*</u> |
| Net Investments (A-B) | <u>\$ 15,616,913</u> | | <u>\$ 15,616,913</u> | <u>\$ 15,616,913</u> |

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

- * The Contra Costa County Auditor's general ledger reflects the District Investment in Treasury Strips at the maturity value. The District has elected to record the investment balance at the maturity value to be consistent with the Contra Costa County Auditor's Office. In addition, the District has posted a liability for unearned interest to reflect the estimated net value of the treasury strips as of June 30, 2001. The net value of District investments at June 30, 2001 was \$15,616,913, as presented above.
- ** Category 1 includes investments that are insured or collateralized.
 Category 2 includes investments that are not insured or collateralized.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

| <u>Funds</u> | <u>Excess Expenditures</u> |
|---|----------------------------|
| <u>Special Revenue Funds:</u> | |
| Adult Education Fund: Certificated Salaries | \$ 1,436 |
| <u>Debt Service Fund:</u> | |
| Bond Interest and Redemption Fund: Debt Service: Interest and Fiscal Charges | 3,362 |
| <u>Capital Projects Funds:</u> | |
| Special Reserve Fund: Other Expenditures | 60 |

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised. The District does not adopt a budget for the Bond Interest and Redemption Fund, which is under the control of the Contra Costa County Auditor.

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 4 - RECEIVABLES

Receivables at June 30, 2001, consist of the following:

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Fund</u> | <u>Capital Projects Funds</u> | <u>Trust & Agency Funds</u> | <u>Totals</u> |
|----------------------|---------------------|------------------------------|--------------------------|-------------------------------|---------------------------------|---------------|
| Federal Government | | | | | | |
| Categorical Programs | \$ 183,780 | \$ 226,681 | | | | \$ 410,461 |
| State Government | | | | | | |
| State Aid | | \$ 421,659 | | | | \$ 421,659 |
| Categorical Programs | \$ 141,011 | 4,024 | | | | 145,035 |
| Lottery | 294,006 | | | | | 294,006 |
| Special Allowances | 140,492 | 143,741 | | | | 284,233 |
| Total State | \$ 575,509 | \$ 569,424 | | | | \$ 1,144,933 |
| Local Government | \$ 144,783 | \$ 210 | \$ 11,666 | | | \$ 156,659 |
| Interest | \$ 26,997 | \$ 1,854 | | \$ 156,166 | \$ 2,185 | \$ 187,202 |
| Miscellaneous | \$ 72,274 | \$ 43,831 | | \$ 18,902 | \$ 66 | \$ 135,073 |

NOTE 5 - INTERFUND TRANSACTIONS

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2001 are as follows:

| <u>Funds</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-------------------------------|------------------------------|---------------------------|
| General Fund | \$ 181,090 | \$ 157,159 |
| <u>Special Revenue Funds:</u> | | |
| Cafeteria Fund | 8,303 | |
| Adult Education Fund | 148,856 | 181,090 |
| Totals | \$ 338,249 | \$ 338,249 |

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

B. Interfund Transfers

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

Interfund transfers for fiscal year 2000-01 were as follows:

| | |
|--|-------------------|
| Transfer from General Fund to Deferred Maintenance Fund to match state allocation | \$ 293,060 |
| Transfer from General Fund to Cafeteria Fund to support breakfast program | 16,496 |
| Transfer from Cafeteria Fund to General Fund to reimburse indirect support costs | 36,955 |
| Transfer from Adult Education Fund to General Fund to reimburse indirect support costs | 181,090 |
| Transfer from General Fund to Special Reserve Fund of interest income from eminent domain action | 19,404 |
| Transfer from Special Reserve Fund to General Fund to reimburse operating expenditures | 14,980 |
| Transfer from General Fund to Capital Facilities Fund to reimburse for portable classrooms | <u>200,000</u> |
| Total | <u>\$ 761,985</u> |

NOTE 6 - GENERAL OBLIGATION BONDS

On March 28, 2001, the District issued general obligation bonds in the amount of \$30,045,000. The proceeds from the bonds were used to refund all of the \$20,265,000 outstanding Series 1992 bonds and to partially refund \$5,792,837 of the Series 1995 bonds.

The outstanding general obligation bonded debt of the Martinez Unified School District at June 30, 2001, is:

| Date of Issue | Interest Rate % | Maturity Date | Amount of Original Issue | Outstanding July 1, 2000 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2001 |
|---------------|-----------------|---------------|--------------------------|--------------------------|----------------------|-----------------------|---------------------------|
| 1992 | 3.25-6.00 | 2015 | \$ 26,530,000 | \$ 21,150,000 | | \$ 21,150,000 | \$ 0 |
| 1995 | 4.10-6.35 | 2008 | 11,999,914 | 10,219,757 | | 6,328,402 | 3,891,355 |
| 1997 | 3.80-5.00 | 2015 | 8,250,000 | 7,615,000 | | 345,000 | 7,270,000 |
| 1998 | 4.0-10.00 | 2015 | 2,750,000 | 2,645,000 | | 125,000 | 2,520,000 |
| 2001 | 2.875-4.375 | 2015 | <u>30,045,000</u> | <u>0</u> | <u>\$ 30,045,000</u> | | <u>30,045,000</u> |
| | | | <u>\$ 79,574,914</u> | <u>\$ 41,629,757</u> | <u>\$ 30,045,000</u> | <u>\$ 27,948,402</u> | <u>\$ 43,726,355</u> |

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to defease the outstanding general obligation bonds, as of June 30, 2001, are as follows:

| Year Ended June 30 | Principal | Interest | Totals |
|--------------------|----------------------|----------------------|----------------------|
| 2002 | \$ 2,332,694 | \$ 1,466,328 | \$ 3,799,022 |
| 2003 | 1,948,032 | 1,767,662 | 3,715,694 |
| 2004 | 2,024,061 | 1,783,600 | 3,807,661 |
| 2005 | 2,660,193 | 1,801,766 | 4,461,959 |
| 2006 | 2,836,683 | 1,805,136 | 4,641,819 |
| Thereafter | <u>31,924,692</u> | <u>7,525,165</u> | <u>39,449,857</u> |
| Totals | <u>\$ 43,726,355</u> | <u>\$ 16,149,657</u> | <u>\$ 59,876,012</u> |

NOTE 7 - RETIREE BENEFITS

In addition to the pension benefits described in Note 10, the District provides retiree health benefits until the age of 65, for all eligible employees who retire from the District on or after attaining the age of 55 and have provided fifteen years of service.

Future estimated payments relating to individuals currently receiving medical benefits are as follows:

| Year Ended June 30 | Retiree Benefits |
|--------------------|-------------------|
| 2002 | \$ 96,372 |
| 2003 | 78,255 |
| 2004 | 54,698 |
| 2005 | 41,049 |
| 2006 | 34,679 |
| Thereafter | <u>45,598</u> |
| Total | <u>\$ 350,651</u> |

NOTE 8 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2001, is as follows:

| | Balances July 1, 2000 | Additions | Deductions | Balances June 30 2001 |
|-------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| Compensated Absences | \$ 217,164 | \$ 27,855 | | \$ 245,019 |
| General Obligation Bonds | 41,629,757 | 30,045,000 | \$ 27,948,402 | 43,726,355 |
| Certificates of Participation | 250,000 | | 250,000 | 0 |
| Retiree Benefits | <u>407,205</u> | | <u>56,554</u> | <u>350,651</u> |
| Totals | <u>\$ 42,504,126</u> | <u>\$ 30,072,855</u> | <u>\$ 28,254,956</u> | <u>\$ 44,322,025</u> |

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 9 - FUND BALANCES

Reservations of fund balance as of June 30, 2001 are as follows:

| | General Fund | Special Revenue Funds | Debt Service Fund | Expendable Trust Fund | Totals |
|---------------------|-------------------|-----------------------|---------------------|-----------------------|---------------------|
| Revolving Cash | \$ 15,000 | \$ 5,000 | | | \$ 20,000 |
| Stores Inventory | 61,751 | 13,598 | | | 75,349 |
| Scholarships | | | | \$ 196,127 | 196,127 |
| Debt Service | | | \$ 3,351,519 | | 3,351,519 |
| Restricted Programs | 658,597 | | | | 658,597 |
| Totals | \$ 735,348 | \$ 18,598 | \$ 3,351,519 | \$ 196,127 | \$ 4,301,592 |

Reserved for Revolving Fund represents the portion of the ending fund balance represented by the revolving fund cash.

Reserved for Stores Inventory represents the portion of the ending fund balance represented by stores inventory.

Reserved for Scholarships represents the portion of the ending fund balance represented by scholarship cash and investments.

Reserved for Debt Service consists of \$3,351,519 in the Bond Interest and Redemption Fund, reserved for future payment of interest and redemption of bond principal.

Reserved for Restricted Programs reflects unspent program revenues, which are legally restricted for future use.

Restricted program balances at June 30, 2001 are as follows:

| | |
|---|-------------------|
| Instructional Materials 9-12 | \$ 6,217 |
| Instructional Materials - Staff Development | 34,477 |
| Schiff-Bustamante Instructional Materials | 133,319 |
| Instructional Materials - Lottery | 85,515 |
| Gifted and Talented | 13,400 |
| Education Technology | 5,244 |
| Science Laboratory Materials | 3,227 |
| California Public School Library | 47,503 |
| Classroom Library Materials | 19,615 |
| Tenth Grade Counseling | 6,865 |
| School Safety | 70,067 |
| District Block Grant | 203,087 |
| Peer Assistance and Review | 30,061 |
| Total | \$ 658,597 |

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 9 - FUND BALANCES (CONCLUDED)

Designations of ending fund balance as of June 30, 2001 are as follows:

| | General Fund |
|----------------------------------|---------------------|
| Economic Uncertainties | \$ 817,000 |
| Academic Performance Index | 97,479 |
| School Site Block Grant | 71,345 |
| High Achieving Improving Schools | 121,331 |
| Maintenance | 84,180 |
| Total | \$ 1,191,335 |

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under retirement 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).

A 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 plan members and 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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$1,266,202, \$1,148,925 and \$1,107,274, respectively, and equal 100% of the required contributions for each year.

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% 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 2000-01 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2001, 2000, and 1999, were \$0, \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 Education. This payment consists of state general fund contributions to STRS in the amount of \$1,022,302 (6.126% of salaries subject to STRS). The District has chosen not to include the revenues and expenditures for this payment in the financial statements. This amount represents a financial disclosure only and would not change the fund balance of any District fund had they been recorded.

NOTE 12 - STUDENT BODY FUNDS

Student Body Funds often engage in activities that involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area, for some fundraisers, does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

MARTINEZ UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000-01, the District participated in three joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years. (See Note 14 for the nature of District participation in the JPAs)

NOTE 14 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance; the Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) for Property and Liability Insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

Nature of Participation

Property

| | | | |
|----------------------|----|-----------|--------------|
| District Deductible: | \$ | 1,000 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |

Liability

| | | | |
|----------------------|----|-----------|--------------|
| District Deductible: | \$ | 0 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 14 - JOINT VENTURES (CONCLUDED)

Condensed audited financial information for CCCSIG for the fiscal year ended June 30, 2001, and condensed audited financial information for CCSCSDSIA and SSICCC for the fiscal year ended June 30, 2000, the most recent available, is as follows:

| | CCSCSDSIA Property and Liability | CCCSIG Workers' Compensation | SSICCC Dental and Vision |
|---|--|------------------------------------|--------------------------------|
| Total Assets | <u>\$ 950,939</u> | <u>\$ 52,241,761</u> | <u>\$ 2,382,518</u> |
| Total Liabilities | \$ 945,201 | \$ 31,491,367 | \$ 1,135,024 |
| Total Fund Equity | <u>5,738</u> | <u>20,750,394</u> | <u>1,247,494</u> |
| Total Liabilities and Fund Equity | <u>\$ 950,939</u> | <u>\$ 52,241,761</u> | <u>\$ 2,382,518</u> |
| Total Revenues | \$ 397,489 | \$ 17,124,791 | \$ 11,895,542 |
| Total Expenditures | <u>624,188</u> | <u>19,469,319</u> | <u>11,439,234</u> |
| Net Increase (Decrease) in Fund Equity | <u>\$(226,699)</u> | <u>\$(2,344,528)</u> | <u>\$ 456,308</u> |

The JPAs did not have long-term debt outstanding at June 30, 2001 and June 30, 2000, respectively. The Districts share of year-end assets, liabilities and fund equity has not been calculated.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 16 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 3, 2001 the District issued \$4,000,000 of tax and revenue anticipation notes (TRANS). The notes mature on July 2, 2002 and bear interest at 3.25%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

OAKLEY UNION SCHOOL DISTRICT
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Oakley Union School District
Oakley, California

We have audited the combined and combining general-purpose financial statements of the Oakley Union School District as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The District does not maintain complete historical cost records for its fixed assets. Accordingly, a Statement of General Fixed Assets, which is required under generally accepted accounting principles, is not included in this report.

Lack of certain internal control procedures and supporting records limits us to expressing an independent auditor's opinion on recorded transactions of the Student Body Fund (Note 13).

In our opinion, except for the omission of a Statement of General Fixed Assets, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, the combined general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Oakley Union School District at June 30, 2001 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining general-purpose financial statements referred to above present fairly in all material respects the financial position of each individual fund of the Oakley Union School District at June 30, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 13, 2001 on our consideration of the Oakley Union School District's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

November 13, 2001

OAKLEY UNION SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 2001

| | Governmental Fund Types | | | Capital Projects | Fiduciary Fund Type | Account Group | Totals (Memorandum Only) |
|---|-------------------------|--------------------|-------------------|---------------------|------------------------|------------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | | Agency | General Long-term Debt | |
| ASSETS | | | | | | | |
| Cash in County Treasury (Note 2) | \$ 4,123,023 | \$ 642,856 | \$ 328,055 | | | | |
| Cash on Hand and in Bank | | | | | | | |
| Cash in Revolving Fund | 2,500 | | | \$ 2,810,840 | | | \$ 7,904,774 |
| Cash with Fiscal Agent | 2,612,025 | | | | \$ 87,181 | | 87,181 |
| Investments (Note 2) | 399,383 | | | | | | 2,500 |
| Accounts Receivable (Note 4) | | | | | | | 2,612,025 |
| Federal Government | 225,433 | 52,543 | | 5,175,106 | | | 5,574,489 |
| State Government | 617,778 | 201,016 | | | | | |
| Local Government | 110,762 | | 60 | | | | 277,976 |
| Interest | 30,218 | 5,317 | | 151,200 | | | 969,994 |
| Miscellaneous | 5,860 | 9,251 | | 330,391 | | | 441,213 |
| Due from Other Funds (Note 5) | 2,821,373 | | | 94,148 | | | 129,683 |
| Stores Inventory (Note 1H) | | 24,298 | | 15,579 | | | 30,690 |
| Amount Available in Debt Service Funds | | | | 11,540 | | | 2,832,913 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | \$ 328,115 | 24,298 |
| Total Assets | \$ 10,948,355 | \$ 935,281 | \$ 328,115 | | | 9,763,756 | 9,763,756 |
| LIABILITIES AND FUND BALANCES | | | | \$ 8,588,804 | \$ 87,181 | \$ 10,091,871 | \$ 30,979,607 |
| Liabilities | | | | | | | |
| Deficit Cash Balances | | \$ 57,183 | | | | | |
| Accounts Payable | \$ 562,103 | 36,078 | | | | | |
| Due to Other Funds (Note 5) | | | | \$ 1,889,275 | | | \$ 1,946,458 |
| Due to Student Groups | | | | 1,265,809 | | | 1,863,990 |
| Deferred Revenue (Note 1J) | 326,878 | | | 2,832,913 | | | 2,832,913 |
| Compensated Absences (Note 1I) | | | | | \$ 87,181 | | 87,181 |
| Tax Revenue Anticipation Notes (Note 2) | 2,730,025 | | | | | | 326,878 |
| Capital Leases (Note 6) | | | | | | \$ 39,232 | 39,232 |
| General Obligation Bonds (Note 7) | | | | | | | 2,730,025 |
| Other Post Employment Benefits (Note 8) | | | | | | 181,235 | 181,235 |
| Total Liabilities | 3,619,006 | 93,261 | | | | 9,790,000 | 9,790,000 |
| Fund Balances (Note 1K, 10) | | | | 5,987,997 | 87,181 | 10,091,871 | 19,879,316 |
| Reserved | 1,124,702 | 24,298 | \$ 328,115 | | | | |
| Unreserved: | | | | | | | |
| Designated | 4,738,747 | | | | | | 1,477,115 |
| Undesignated | 1,465,900 | 817,722 | | | | | |
| Total Fund Balances | 7,329,349 | 842,020 | 328,115 | 2,600,807 | | | 4,738,747 |
| Total Liabilities and Fund Balances | \$ 10,948,355 | \$ 935,281 | \$ 328,115 | 2,600,807 | 0 | 0 | 11,100,291 |
| | | | | \$ 8,588,804 | \$ 87,181 | \$ 10,091,871 | \$ 30,979,607 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

OAKLEY UNION SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|---------------|--------------------|-----------------|---------------------|--------------------------------|
| REVENUES | | | | | |
| Revenue Limit Sources: | | | | | |
| State Apportionment | \$ 10,611,010 | \$ 145,044 | | | \$ 10,756,054 |
| Local Sources | 6,835,748 | | | | 6,835,748 |
| Total Revenue Limit Sources | 17,446,758 | 145,044 | | | 17,591,802 |
| Federal Revenue | 822,003 | 313,587 | | | 1,135,590 |
| Other State Revenue | 6,864,698 | 429,608 | \$ 11,437 | \$ 151,200 | 7,456,943 |
| Other Local Revenue | 994,369 | 432,585 | 406,703 | 3,703,666 | 5,537,323 |
| Total Revenues | 26,127,828 | 1,320,824 | 418,140 | 3,854,866 | 31,721,658 |
| EXPENDITURES | | | | | |
| Certificated Salaries | 13,854,338 | 6,040 | | | 13,860,378 |
| Classified Salaries | 2,838,698 | 351,425 | | 56,642 | 3,246,765 |
| Employee Benefits | 3,217,600 | 69,649 | | 14,420 | 3,301,669 |
| Books and Supplies | 1,368,403 | 349,829 | | | 1,718,232 |
| Services and Other | | | | | |
| Operating Expenditures | 2,578,304 | 28,592 | | 759,578 | 3,366,474 |
| Capital Outlay | 1,090,630 | 234,960 | | 9,040,632 | 10,366,222 |
| Debt Service: | | | | | |
| Principal Retirement | 64,139 | | 125,000 | | 189,139 |
| Interest and Fiscal Charges | 6,226 | 1,029 | 539,272 | 322,096 | 868,623 |
| Other Expenditures | 311,963 | 6,125 | | 7,374 | 325,462 |
| Total Expenditures | 25,330,301 | 1,047,649 | 664,272 | 10,200,742 | 37,242,964 |
| Excess of Revenues Over (Under) Expenditures | 797,527 | 273,175 | (246,132) | (6,345,876) | (5,521,306) |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | 2,821,373 | 131,097 | | 10,920,105 | 13,872,575 |
| Operating Transfers Out | (131,097) | | | (13,741,478) | (13,872,575) |
| Total Other Financing Sources (Uses) | 2,690,276 | 131,097 | 0 | (2,821,373) | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | 3,487,803 | 404,272 | (246,132) | (9,167,249) | (5,521,306) |
| Fund Balances - July 1, 2000 (As restated - Note 17) | 3,841,546 | 437,748 | 574,247 | 11,768,056 | 16,621,597 |
| Fund Balances - June 30, 2001 | \$ 7,329,349 | \$ 842,020 | \$ 328,115 | \$ 2,600,807 | \$ 11,100,291 |

OAKLEY UNION SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General Fund | | | Special Revenue Funds | | |
|---|----------------|---------------|----------------------------------|-----------------------|------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Revenue Limit Sources | | | | | | |
| State Apportionment | \$ 11,214,482 | \$ 10,611,010 | \$ (603,472) | \$ 103,946 | \$ 145,044 | \$ 41,098 |
| Local Sources | 6,242,142 | 6,835,748 | 593,606 | | | |
| Total Revenue Limit | 17,456,624 | 17,446,758 | (9,866) | 103,946 | 145,044 | 41,098 |
| Federal Revenue | 867,894 | 822,003 | (45,891) | 290,000 | 313,587 | 23,587 |
| Other State Revenue | 6,794,602 | 6,864,698 | 70,096 | 454,132 | 429,608 | (24,524) |
| Other Local Revenue | 572,915 | 994,369 | 421,454 | 318,000 | 432,585 | 114,585 |
| Total Revenues | 25,692,035 | 26,127,828 | 435,793 | 1,166,078 | 1,320,824 | 154,746 |
| EXPENDITURES | | | | | | |
| Certificated Salaries | 13,854,339 | 13,854,338 | 1 | 6,080 | 6,040 | 40 |
| Classified Salaries | 2,844,299 | 2,838,698 | 5,601 | 353,294 | 351,425 | 1,869 |
| Employee Benefits | 3,261,503 | 3,217,600 | 43,903 | 70,661 | 69,649 | 1,012 |
| Books and Supplies | 2,441,842 | 1,368,403 | 1,073,439 | 446,665 | 349,829 | 96,836 |
| Services and Other | | | | | | |
| Operating Expenditures | 2,797,841 | 2,578,304 | 219,537 | 38,639 | 28,592 | 10,047 |
| Capital Outlay | 1,271,686 | 1,090,630 | 181,056 | 386,565 | 234,960 | 151,605 |
| Debt Service: | | | | | | |
| Principal Retirement | 64,139 | 64,139 | | | | |
| Interest and Fiscal Charges | 6,226 | 6,226 | | | 1,029 | (1,029) |
| Other Expenditures | 266,538 | 311,963 | (45,425) | 23,063 | 6,125 | 16,938 |
| Total Expenditures | 26,808,413 | 25,330,301 | 1,478,112 | 1,324,967 | 1,047,649 | 277,318 |
| Excess of Revenues Over (Under) Expenditures | (1,116,378) | 797,527 | 1,913,905 | (158,889) | 273,175 | 432,064 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | | 2,821,373 | 2,821,373 | 110,000 | 131,097 | 21,097 |
| Operating Transfers Out | (110,000) | (131,097) | (21,097) | | | |
| Total Other Financing Sources (Uses) | (110,000) | 2,690,276 | 2,800,276 | 110,000 | 131,097 | 21,097 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | \$ (1,226,378) | 3,487,803 | \$ 4,714,181 | \$ (48,889) | 404,272 | \$ 453,161 |
| Fund Balances - July 1, 2000 (As restated - Note 17) | | 3,841,546 | | | 437,748 | |
| Fund Balances (Deficit) - June 30, 2001 (Note 18) | | \$ 7,329,349 | | | \$ 842,020 | |

| Debt Service Funds | | | Capital Projects Funds | | | Totals (Memorandum Only) | | |
|--------------------|-----------|----------------------------------|------------------------|-------------|----------------------------------|--------------------------|--------------|----------------------------------|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 27,959 | 406,703 | 378,744 | \$ 1,834,370 | 3,703,666 | 1,869,296 | 7,248,734 | 7,456,943 | 208,209 |
| 27,959 | 418,140 | 390,181 | 1,834,370 | 3,854,866 | 2,020,496 | 2,753,244 | 5,537,323 | 2,784,079 |
| | | | | | | 1,157,894 | 1,135,590 | (22,304) |
| | | | | | | 13,860,419 | 13,860,378 | 41 |
| | | | | | | 3,251,034 | 3,246,765 | 4,269 |
| | | | | | | 3,346,525 | 3,301,669 | 44,856 |
| | | | | | | 2,888,507 | 1,718,232 | 1,170,275 |
| | | | | | | 4,405,830 | 3,366,474 | 1,039,356 |
| | | | | | | 8,834,251 | 10,366,222 | (1,531,971) |
| | | | | | | 189,139 | 189,139 | |
| | | | | | | 483,432 | 868,623 | (385,191) |
| | | | | | | 292,266 | 325,462 | (33,196) |
| | | | | | | 37,551,403 | 37,242,964 | 308,439 |
| | | | | | | (574,247) | (246,132) | 328,115 |
| | | | | | | (6,981,447) | (6,345,876) | 635,571 |
| | | | | | | 7,251,540 | 13,872,575 | 6,621,035 |
| | | | | | | (13,741,478) | (13,741,478) | |
| | | | | | | (110,000) | (13,872,575) | (13,762,575) |
| | | | | | | 0 | 0 | |
| | | | | | | 7,141,540 | (2,821,373) | (9,962,913) |
| | | | | | | 7,141,540 | 0 | (7,141,540) |
| \$ (574,247) | (246,132) | \$ 328,115 | \$ 160,093 | (9,167,249) | \$ (9,327,342) | \$ (1,689,421) | (5,521,306) | \$ (3,831,885) |
| | | | | | | 574,247 | 11,768,056 | 16,621,597 |
| | | | | | | \$ 328,115 | \$ 2,600,807 | \$ 11,100,291 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

OAKLEY UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

OAKLEY UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

In determining its reporting entity, the District considered all governmental units that were members of the District since inception. The criteria did not require the inclusion of these entities in the District's financial statements principally because the District does not exercise oversight responsibility over any members.

C. Fund Accounting

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

GOVERNMENTAL FUNDS:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

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

1. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
3. Child Development Fund is used to account for revenues received and expenditures made to operate the District's preschool program.

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

1. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains six capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. State School Building Lease-Purchase Fund is used to account for the building of new schools and related equipment from state apportionments. (Education Code Section 17708).
3. Building Fund is used to account for acquisition of major governmental facilities financed from the sale of bonds.
4. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10)
5. Special Reserve Fund is used to account for special building projects as determined by the District.
6. Park Building Fund is used to account for the improvement of District property financed from bond proceeds and local fees collected.

FIDUCIARY FUNDS:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains five agency funds, one for each Student Body account.

OAKLEY UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

ACCOUNT GROUP:

The accounting and reporting treatment applied to the long-term liabilities and fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the Account Group of the District.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered) except for unmatured interest on general long-term debt which is recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

OAKLEY UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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.

H. Inventories

Inventories are recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

I. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. This liability is recognized in the general long-term debt account group. The value of accumulated unpaid vacation benefits at June 30, 2001 was \$39,232.

Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

J. Deferred Revenue

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in revenue that cannot be recognized until such expenditures are incurred.

K. Fund Balance Reserves and Designations

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

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

L. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if not paid by December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

M. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Authorized Deposits/Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the Contra Costa County Treasurer. The County pools these funds and invests the cash. These pooled funds are carried at cost, which approximates market value. Any investment losses are proportionately shared by all funds in the pool.

At June 30, 2001, the fair value of the District's share of pooled investments in the Contra Costa County Treasury exceeded cost by \$22,225. Based on the fundamental assumption that Governmental Accounting Standards Board (GASB) standards need not be applied to immaterial items, the District has elected to continue reporting pooled investments at cost in these financial statements.

The County may invest in accordance with section 53601 and 53635 of the California Government Code:

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit placed with commercial banks or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificates of participation
- Obligations with first priority security
- Collateralized mortgage obligations

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

Credit Risk

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

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

Derivative Investments

The District did not directly enter into any derivative investments.

Information relating to the use of derivative investments by the County was not available.

Cash Balances

Cash at June 30, 2001 consisted of the following:

| | | |
|------------------------------|--|--------------|
| Pooled Funds: | | |
| Cash in County Treasury, net | | \$ 5,958,316 |
| Deposits: | | |
| Cash on Hand and in Bank | | 87,181 |
| Cash in Revolving Fund | | 2,500 |
| Cash with Fiscal Agent | | 2,612,025 |

Cash with Fiscal Agent will be used to repay the tax revenue anticipation notes on July 5, 2001.

Investment Balances

Investments at June 30, 2001 consisted of the following:

| | <u>Category *</u> | | <u>Carrying</u> | <u>Fair</u> |
|------------------------------|-------------------|--------------|-----------------|--------------|
| | <u>1</u> | <u>2</u> | <u>Amount</u> | <u>Value</u> |
| Local Agency Investment Fund | \$ 0 | \$ 5,574,489 | \$ 5,574,489 | \$ 5,574,489 |

- * Category 1 includes investments that are insured or collateralized.
- Category 2 includes investments that are not insured or collateralized

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations for fiscal year 2000-01 were as follows:

| <u>Fund</u> | <u>Excess Expenditures</u> |
|--|--------------------------------|
| <u>General Fund</u> | |
| Other Expenditures | \$ 45,425 |
| <u>Special Revenue Funds</u> | |
| Child Development Fund: Interest and Fiscal Charges | 1,029 |
| <u>Debt Service Fund</u> | |
| Bond Interest and Redemption Fund: Debt Service - Interest and Fiscal Charges | 62,066 |
| <u>Capital Project Funds</u> | |
| State School Building Fund: Contract Services | 3,925 |
| Capital Outlay | 1,864,632 |
| Interest and Fiscal Charges | 322,096 |
| Building Fund: Contract Services | 230 |
| Park Building Fund: Classified Salaries | 3,201 |
| Employee Benefits | 59 |
| Other Expenditures | 4,709 |

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised.

The Bond Interest and Redemption Fund is under the control of the Contra Costa County Auditor.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2001 consist of the following:

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Fund</u> | <u>Capital Projects Funds</u> | <u>Totals</u> |
|--------------------------|-------------------------|--------------------------------------|----------------------------------|---------------------------------------|---------------|
| Federal Government | | | | | |
| Categorical Aid Programs | \$ 225,433 | \$ 52,543 | | | \$ 277,976 |
| State Government | | | | | |
| Categorical Aid Programs | \$ 103,683 | \$ 89,583 | | | \$ 196,266 |
| Lottery | 299,797 | | | | 299,797 |
| Other Allowances | 214,298 | 111,433 | | \$ 151,200 | 476,931 |
| Total State | \$ 617,778 | \$ 201,016 | | \$ 151,200 | \$ 969,994 |
| Local Government | \$ 110,762 | | \$ 60 | \$ 330,391 | \$ 441,213 |
| Interest | \$ 30,218 | \$ 5,317 | | \$ 94,148 | \$ 129,683 |
| Miscellaneous | \$ 5,860 | \$ 9,251 | | \$ 15,579 | \$ 30,690 |

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2001 are as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 2,821,373 | |
| Capital Projects Funds | | |
| Capital Facilities | | \$ 11,540 |
| State School Building | 11,540 | |
| Special Reserve | | 2,821,373 |
| Totals | <u>\$ 2,832,913</u> | <u>\$ 2,832,913</u> |

B. Interfund Transfers

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

Interfund transfers fiscal year 2000-01 were as follows:

| | |
|---|----------------------|
| Transfer from General Fund to Deferred Maintenance Fund to match state allocation | \$ 131,097 |
| Transfer from Capital Projects - Special Reserve Fund to General Fund prior year General Fund contributions for less restrictions on use of funds | 2,821,373 |
| Transfer from Building Fund to State School Building Fund for Leroy Green projects | 7,130,000 |
| Transfer from County School Facilities Fund to State School Building Fund to transfer Prop. 1A funds to Leroy Green projects | 3,742,936 |
| Transfer from County School Facilities Fund to State School Building Fund to transfer interest earned on Prop. 1A funds | 35,629 |
| Transfer from Capital Facilities Fund to State School Building Fund to transfer developer impact fees set aside for state emergency portables | 11,540 |
| Total | <u>\$ 13,872,575</u> |

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 6 - CAPITAL LEASES

The District leases portable classrooms and buildings under lease agreements, which provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

| Year Ending <u>June 30</u> | Lease Payments |
|---|-------------------|
| 2002 | \$ 66,399 |
| 2003 | 13,000 |
| 2004 | 13,000 |
| 2005 | 13,000 |
| 2006 | 13,000 |
| Thereafter | <u>65,000</u> |
| Total | 183,399 |
| Less Amounts Representing Interest | <u>(2,164)</u> |
| Present Value of Net Minimum Lease Payments | <u>\$ 181,235</u> |

The District will receive no sublease rental revenues nor pay any contingent rentals for these portables.

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the Oakley Union School District at June 30, 2001 is:

| Date of Issue | Interest Rate % | Maturity Date | Amount of Original Issue | Outstanding July 1, 2000 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2001 |
|---------------|-----------------|---------------|--------------------------|--------------------------|---------------------|-----------------------|---------------------------|
| 1998 | 4.40-5.50 | 2024 | \$ 7,000,000 | \$ 6,915,000 | | \$ 100,000 | \$ 6,815,000 |
| 1998 | 5.00-9.00 | 2024 | <u>3,000,000</u> | <u>3,000,000</u> | | <u>25,000</u> | <u>2,975,000</u> |
| | | | <u>\$ 10,000,000</u> | <u>\$ 9,915,000</u> | <u>\$ 0</u> | <u>\$ 125,000</u> | <u>\$ 9,790,000</u> |

The annual requirements to defease the general obligation bonds payable, outstanding as of June 30, 2001, are as follows:

| Year Ended <u>June 30</u> | Principal | Interest | Totals |
|------------------------------|---------------------|---------------------|----------------------|
| 2002 | \$ 120,000 | \$ 470,133 | \$ 590,133 |
| 2003 | 130,000 | 462,955 | 592,955 |
| 2004 | 180,000 | 454,055 | 634,055 |
| 2005 | 200,000 | 443,280 | 643,280 |
| 2006 | 240,000 | 431,073 | 671,073 |
| Thereafter | <u>8,920,000</u> | <u>4,408,238</u> | <u>13,328,238</u> |
| Totals | <u>\$ 9,790,000</u> | <u>\$ 6,669,734</u> | <u>\$ 16,459,734</u> |

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

The District provides medical benefits to eligible employees for a specified period of years. An eligible employee is one who is at least 55 years of age, who has rendered a minimum of 20 years of continuous service, including Board of Trustees' approved leave, with the District immediately prior to retirement and who is drawing retirement under STRS or PERS. The District will pay the full cost of medical benefits until they become eligible for benefits under Medicare, at which time the District shall pay only medicare supplemental cost. Future estimated payments related to individuals currently receiving medical benefits are as follows:

| Year Ending <u>June 30</u> | Medical Benefits |
|-------------------------------|---------------------|
| 2002 | \$ 15,552 |
| 2003 | 16,463 |
| 2004 | 16,463 |
| 2005 | 16,463 |
| 2006 | <u>16,463</u> |
| Total | <u>\$ 81,404</u> |

NOTE 9 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below.

| | Balances <u>July 1, 2000</u> | Additions | Deductions | Balances <u>June 30, 2001</u> |
|--------------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| Compensated Absences | \$ 33,209 | \$ 6,023 | | \$ 39,232 |
| Capital Leases | 115,374 | 130,000 | \$ 64,139 | 181,235 |
| General Obligation Bonds | 9,915,000 | | 125,000 | 9,790,000 |
| Other Post Employment Benefits | <u>61,963</u> | <u>19,441</u> | | <u>81,404</u> |
| Totals | <u>\$ 10,125,546</u> | <u>\$ 155,464</u> | <u>\$ 189,139</u> | <u>\$ 10,091,871</u> |

NOTE 10 - FUND BALANCES

Reservations of fund balance as of June 30, 2001 are as follows:

| | General <u>Fund</u> | Special Revenue <u>Funds</u> | Debt Service <u>Fund</u> | Totals |
|---------------------------|------------------------|------------------------------------|--------------------------------|---------------------|
| Revolving Cash | \$ 2,500 | | | \$ 2,500 |
| Stores Inventory | | \$ 24,298 | | 24,298 |
| Reserved for Debt Service | | | \$ 328,115 | 328,115 |
| Restricted Programs | <u>1,122,202</u> | | | <u>1,122,202</u> |
| Totals | <u>\$ 1,124,702</u> | <u>\$ 24,298</u> | <u>\$ 328,115</u> | <u>\$ 1,477,115</u> |

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 10 - FUND BALANCES (CONCLUDED)

Reserved for Revolving Fund represents the portion of the ending fund Balance represented by the revolving fund cash.

Reserve for Stores Inventory represents the portion of fund balance represented by the cafeteria stores inventory.

Reserved for Debt Service represents the fund balance of the Bond Interest and Redemption Fund, which is reserved for future payment of interest and redemption of bond principal.

Reserved for Restricted Programs represents unspent program revenues, which are legally restricted for future use.

Reserved program balances at June 30, 2001 are as follows:

| | |
|---|----------------------------|
| Gifted and Talented Education | \$ 55,650 |
| Instructional Materials | 246,437 |
| Schiff-Bustamante Instructional Materials | 276,005 |
| Lottery Instructional Materials | 55,344 |
| Instructional Materials - Staff Development | 381 |
| Special Education - Facility | 51,316 |
| Special Education - Medical | 61,661 |
| Class Size Reduction Facilities | 111,607 |
| English Language Acquisition Program | 16,255 |
| Classroom Library Materials | 15,197 |
| School Library | 107,289 |
| School Safety | 31,251 |
| Peer Assistance and Review | 93,809 |
| Total | <u>\$ 1,122,202</u> |

Designations of the ending fund balance of the General Fund as of June 30, 2001 are as follows:

| | |
|--------------------------|----------------------------|
| Economic Uncertainties | \$ 841,629 |
| Lottery | 610,922 |
| Redeveloper Pass Through | 464,823 |
| Facilities Reserve | <u>2,821,373</u> |
| Total | <u>\$ 4,738,747</u> |

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under retirement 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)

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

A 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 plan members and 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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$1,085,993, \$841,646, and \$791,977, respectively and equal 100% of the required contributions for each year.

B California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% 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 2000-01 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2001, 2000, and 1999, were \$0, \$0, and \$0, respectively and equal 100% of the required contributions for each year.

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS). This payment consists of state general fund contributions to STRS in the amount of \$849,086 (6.126% of salaries subject to STRS). The District has chosen not to include the revenues and expenditures for the payment in the financial statements. This amount represents a financial disclosure only and would not change the fund balance of any District fund had they been recorded.

NOTE 13 - STUDENT BODY FUNDS

Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area, for some fundraisers, does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000-01, the District participated in three joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years. (See Note 15 for the nature of District participation in the JPAs)

NOTE 15 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) for Property and Liability Insurance, the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance and the Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 15 - JOINT VENTURES (CONCLUDED)

Nature of Participation

Property

| | | | |
|----------------------|----|-------------|--------------|
| District Deductible: | \$ | 1,000 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |
| | | 387,050,622 | (Commercial) |

Liability

| | | | |
|----------------------|----|-------------|--------------|
| District Deductible: | \$ | 0 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |
| | | 387,050,622 | (Commercial) |

Condensed audited financial information for CCSIG for the fiscal year ended June 30, 2001, and condensed audited financial information for CCSCSDSIA and SSICCC for the fiscal year ended June 30, 2000, the most recent available, is as follows:

| | CCSCSDSIA Property and Liability | CCCSIG Workers' Compensation | SSICCC Dental and Vision |
|---|--|------------------------------------|--------------------------------|
| Total Assets | \$ 950,939 | \$ 52,241,761 | \$ 2,382,518 |
| Total Liabilities | \$ 945,201 | \$ 31,491,367 | \$ 1,135,024 |
| Total Fund Equity | 5,738 | 20,750,394 | 1,247,494 |
| Total Liabilities and Fund Equity | \$ 950,939 | \$ 52,241,761 | \$ 2,382,518 |
| Total Revenues | \$ 397,489 | \$ 17,124,791 | \$ 11,895,542 |
| Total Expenditures | 624,188 | 19,469,319 | 11,439,234 |
| Net Increase (Decrease) in Fund Equity | \$ (226,699) | \$ (2,344,528) | \$ 456,308 |

The JPAs did not have long-term debt outstanding at June 30, 2001 and June 30, 2000, respectively. The Districts share of year-end assets, liabilities and fund equity has not been calculated.

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Contingent Receivables

The District is currently in discussion with the City of Oakley involving reimbursement of direct costs expended for by the District for the preparation and reproduction of planning and construction documents, construction inspections, and administration for the Vintage Parkway improvements, as well as the maintenance of park facilities. The District has currently booked receivables in the amount of \$330,391 in the Park Building Fund. As of the completion of our audit, the District and the City of Oakley were negotiating a new contract for services, which included a payment plan to pay the District for costs previously expended for.

C. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 17 - RESTATEMENT OF FUND BALANCES

The July 1, 2000 fund balance of the State School Building Fund has been restated to correct a prior year overstatement of accounts receivable related to school facilities apportionments, which should have been recorded as receivables in the County School Facilities Fund.

The July 1, 2000 fund balance of the County School Facilities Fund has been restated to correct a prior year understatement of accounts receivable related to school facilities apportionments, which were incorrectly recorded as receivables in the State School Building Fund.

The effects of the restatements on these financial statements are as follows:

| | State School Building Fund | County School Facilities Fund |
|---|----------------------------------|-------------------------------------|
| Fund Balances (Deficits) - July 1, 2000 (as originally stated) | \$ (550,022) | \$ 0 |
| Understatement of Accounts Receivable | | 3,742,935 |
| Overstatement of Accounts Receivable | <u>(3,742,935)</u> | <u> </u> |
| Fund Balances - July 1, 2000 (as restated) | <u>\$ (4,292,957)</u> | <u>\$ 3,742,935</u> |

OAKLEY UNION SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 18 - DEFICIT FUND BALANCE

At June 30, 2001, the State School Building Fund has a deficit fund balance of \$2,771,195. The District expects to eliminate the deficit in fiscal year 2001-02 by transferring in funds from the General Fund, Capital Facilities Fund and Building Fund.

NOTE 19 - SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes (TRANS)

On July 3, 2001 the District issued \$2,600,000 of tax and revenue anticipation notes (TRANS). The notes mature on July 2, 2002 and bear interest at 3.25%. Proceeds from the notes can be drawn upon during the year if cash shortages arise

PITTSBURG UNIFIED SCHOOL DISTRICT
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

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PITTSBURG UNIFIED SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
PITTSBURG, CALIFORNIA

AUDIT REPORT

JUNE 30, 2001

PITTSBURG UNIFIED SCHOOL DISTRICT
JUNE 30, 2001

| <u>TABLE OF CONTENTS</u> | <u>Page</u> |
|--|-------------|
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report on Financial Statements | 1 |
| <u>General-Purpose Financial Statements</u> | |
| Combined Statements: | |
| Combined Balance Sheet - All Fund Types and Account Group | 2 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund | 4 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types | 6 |
| Notes to Financial Statements | 8 |
| Combining Financial Statements: | |
| <u>Special Revenue Funds</u> | |
| Combining Balance Sheet | 28 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 30 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 32 |
| <u>Debt Service Funds</u> | |
| Combining Balance Sheet | 37 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 38 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 39 |
| <u>Capital Projects Funds</u> | |
| Combining Balance Sheet | 44 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 46 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 48 |

PITTSBURG UNIFIED SCHOOL DISTRICT
JUNE 30, 2001

| <u>TABLE OF CONTENTS (CONCLUDED)</u> | <u>Page</u> |
|---|-------------|
| <u>FINANCIAL SECTION (CONCLUDED)</u> | |
| <u>Trust and Agency Funds</u> | |
| Combining Balance Sheet | 54 |
| Combining Statement of Changes in Assets and Liabilities - Agency Funds | 55 |
| <u>SUPPLEMENTARY INFORMATION SECTION</u> | |
| Independent Auditor's Report on Supplementary Information | 57 |
| Governing Board/Administration | 58 |
| Schedule of Average Daily Attendance | 59 |
| Schedule of Instructional Time | 61 |
| Schedule of Expenditures of Federal Awards | 62 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 63 |
| Schedule of Financial Trends and Analysis | 64 |
| Notes to Supplementary Information | 65 |
| <u>OTHER INDEPENDENT AUDITOR REPORTS SECTION</u> | |
| Independent Auditor's Report on State Compliance | 67 |
| Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 69 |
| Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 71 |
| <u>FINDINGS AND RECOMMENDATIONS SECTION</u> | |
| Summary of Audit Results | 73 |
| Internal Control | 74 |
| State Compliance | 81 |
| Status of Prior Year Recommendations | 83 |

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Pittsburg Unified School District
Pittsburg, California

We have audited the combined and combining general-purpose financial statements of the Pittsburg Unified School District as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Although the District does maintain a fixed asset record system for equipment, which complies with state and federal requirements, it had not compiled complete historical cost records for its buildings, school sites, or site improvements, prior to completion of the audit. Accordingly, a Statement of General Fixed Assets, which is required under generally accepted accounting principles, is not included in this report.

Lack of certain internal control procedures and supporting records limits us to expressing an independent auditor's opinion on recorded transactions of the Student Body Fund (See Note 14).

In our opinion, except for the omission of a Statement of General Fixed Assets, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, the combined-general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pittsburg Unified School District at June 30, 2001 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining general-purpose financial statements referred to above present fairly in all material respects the financial position of each individual fund of the Pittsburg Unified School District at June 30, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 23, 2001 on our consideration of the Pittsburg Unified School District's internal controls over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

October 23, 2001

PITTSBURG UNIFIED SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 2001

| | Governmental Fund Types | | | Capital Projects | Fiduciary Fund Types | Account Group | Totals (Memorandum Only) |
|---|-------------------------|---------------------|---------------------|----------------------|-------------------------|------------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | | Trust and Agency | General Long-term Debt | |
| ASSETS | | | | | | | |
| Cash in County Treasury (Note 2) | \$ 6,145,093 | \$ 1,564,151 | \$ 1,467,688 | \$ 6,308,398 | \$ 46,106 | | \$ 15,531,436 |
| Cash on Hand and in Bank | | 65,883 | | | 305,719 | | 371,602 |
| Cash in Revolving Fund | 100,000 | 5,000 | | | | | 105,000 |
| Cash with Fiscal Agent | 4,420,350 | | | | | | 4,420,350 |
| Investments (Note 2) | 1,007,581 | | 1,165,733 | 6,941,519 | 107,846 | | 9,222,679 |
| Accounts Receivable (Note 4) | | | | | | | |
| Federal Government | 186,170 | 386,754 | | | | | 572,924 |
| State Government | 2,188,888 | 548,397 | | | | | 2,737,285 |
| Local Government | 189,026 | | | | | | 189,026 |
| Interest | 61,293 | 6,345 | 20,878 | 30,589 | 2,076 | | 121,181 |
| Miscellaneous | 81,768 | | | | | | 81,768 |
| Due from Other Funds (Note 5) | 633,113 | 112,850 | | | | | 745,963 |
| Stores Inventory (Note 1H) | | 62,239 | | | | | 62,239 |
| Prepaid Expenses (Note 1I) | 5,909 | | | | | | 5,909 |
| Amount Available in Debt Service Funds | | | | | | \$ 2,654,299 | 2,654,299 |
| Amount to be Provided for Retirement of General Long-Term Debt | | | | | | 45,629,000 | 45,629,000 |
| Total Assets | \$ 15,019,191 | \$ 2,751,619 | \$ 2,654,299 | \$ 13,280,506 | \$ 461,747 | \$ 48,283,299 | \$ 82,450,661 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable | \$ 2,410,306 | \$ 224,368 | | \$ 1,295,325 | | | \$ 3,929,999 |
| Due to Other Funds (Note 5) | 112,850 | 478,500 | | 154,613 | | | 745,963 |
| Due to Student Groups | | | | | \$ 305,719 | | 305,719 |
| Deferred Revenue (Note 1K) | 1,014,664 | 97,780 | | | | | 1,112,444 |
| Compensated Absences (Note 1J) | | | | | | \$ 61,357 | 61,357 |
| Tax Revenue Anticipation Notes (Note 2) | 4,620,350 | | | | | | 4,620,350 |
| General Obligation Bonds (Note 6) | | | | | | 29,255,000 | 29,255,000 |
| Certificates of Participation (Note 7) | | | | | | 15,065,000 | 15,065,000 |
| Capital Leases (Note 8) | | | | | | 2,758,835 | 2,758,835 |
| Retiree Health Benefits (Note 9) | | | | | | 1,143,107 | 1,143,107 |
| Total Liabilities | 8,158,170 | 800,648 | | 1,449,938 | 305,719 | 48,283,299 | 58,997,774 |
| Fund Balances (Note 1L, 11) | | | | | | | |
| Reserved | 3,434,343 | 67,239 | \$ 2,654,299 | | 156,028 | | 6,311,909 |
| Unreserved | | | | | | | |
| Designated | 2,948,067 | | | | | | 2,948,067 |
| Undesignated | 478,611 | 1,883,732 | | 11,830,568 | | | 14,192,911 |
| Total Fund Balances | 6,861,021 | 1,950,971 | 2,654,299 | 11,830,568 | 156,028 | 0 | 23,452,887 |
| Total Liabilities and Fund Balances | \$ 15,019,191 | \$ 2,751,619 | \$ 2,654,299 | \$ 13,280,506 | \$ 461,747 | \$ 48,283,299 | \$ 82,450,661 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PITTSBURG UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | Governmental Fund Types | | | | Expendable Trust | Totals |
|---|-------------------------|--------------------|-----------------|---------------------|---------------------|----------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Scholarship Fund | (Memorandum Only) |
| REVENUES | | | | | | |
| Revenue Limit Sources: | | | | | | |
| State Apportionment | \$ 26,450,138 | \$ 1,768,014 | | | | \$ 28,218,152 |
| Local Sources | 14,654,976 | | | | | 14,654,976 |
| Total Revenue Limit Sources | 41,105,114 | 1,768,014 | | | | 42,873,128 |
| Federal Revenue | 2,833,384 | 2,001,570 | | | | 4,834,954 |
| Other State Revenue | 16,196,781 | 1,862,870 | \$ 32,323 | \$ 4,468,291 | | 22,560,265 |
| Other Local Revenue | 1,212,451 | 1,262,095 | 2,348,187 | 2,787,627 | \$ 11,384 | 7,621,744 |
| Total Revenues | 61,347,730 | 6,894,549 | 2,380,510 | 7,255,918 | 11,384 | 77,890,091 |
| EXPENDITURES | | | | | | |
| Certificated Salaries | 30,240,678 | 1,695,896 | | | | 31,936,574 |
| Classified Salaries | 9,227,514 | 1,848,301 | | | | 11,075,815 |
| Employee Benefits | 8,337,538 | 699,946 | | | | 9,037,484 |
| Books and Supplies | 3,270,567 | 1,439,493 | | | | 4,710,060 |
| Services and Other | | | | | | |
| Operating Expenditures | 6,088,325 | 1,022,828 | 124,996 | 1,581 | 8,103 | 7,245,833 |
| Capital Outlay | 2,715,683 | 306,672 | | 11,045,034 | | 14,067,389 |
| Debt Service: | | | | | | |
| Principal Retirement | 810,460 | | 630,000 | | | 1,440,460 |
| Interest and Fiscal Charges | 232,430 | 9,723 | 2,040,023 | | | 2,282,176 |
| Other Expenditures | 939,952 | 91,744 | | | | 1,031,696 |
| Total Expenditures | 61,863,147 | 7,114,603 | 2,795,019 | 11,046,615 | 8,103 | 82,827,487 |
| Excess of Revenues Over (Under) Expenditures | (515,417) | (220,054) | (414,509) | (3,790,697) | 3,281 | (4,937,396) |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | 476,270 | 324,104 | 743,117 | | | 1,543,491 |
| Operating Transfers Out | (401,866) | (244,853) | (76,804) | (819,968) | | (1,543,491) |
| Other Sources | 439,028 | | 400,830 | 2,599,170 | | 3,439,028 |
| Total Other Financing Sources (Uses) | 513,432 | 79,251 | 1,067,143 | 1,779,202 | 0 | 3,439,028 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | (1,985) | (140,803) | 652,634 | (2,011,495) | 3,281 | (1,498,368) |
| Fund Balances - July 1, 2000 (As restated - Note 17) | 6,863,006 | 2,091,774 | 2,001,665 | 13,842,063 | 152,747 | 24,951,255 |
| Fund Balances - June 30, 2001 | \$ 6,861,021 | \$ 1,950,971 | \$ 2,654,299 | \$ 11,830,568 | \$ 156,028 | \$ 23,452,887 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PITTSBURG UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | General Fund | | | Special Revenue Funds | | | Debt Service Funds | | | Capital Projects Funds | | | Totals (Memorandum Only) | | |
|---|-----------------------|---------------------|----------------------------|-----------------------|---------------------|----------------------------|---------------------|---------------------|----------------------------|------------------------|----------------------|----------------------------|--------------------------|----------------------|----------------------|
| | Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance |
| | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) | | | |
| REVENUES | | | | | | | | | | | | | | | |
| Revenue Limit Sources: | | | | | | | | | | | | | | | |
| State Apportionment | \$ 26,232,968 | \$ 26,450,138 | \$ 217,170 | \$ 1,767,293 | \$ 1,768,014 | \$ 721 | | | | | | | \$ 28,000,261 | \$ 28,218,152 | \$ 217,891 |
| Local Sources | 14,539,053 | 14,654,976 | 115,923 | | | | | | | | | | 14,539,053 | 14,654,976 | 115,923 |
| Total Revenue Limit | 40,772,021 | 41,105,114 | 333,093 | 1,767,293 | 1,768,014 | 721 | | | | | | | 42,539,314 | 42,873,128 | 333,814 |
| Federal Revenue | 3,580,331 | 2,833,384 | (746,947) | 1,565,317 | 2,001,570 | 436,253 | | | | | | | 5,145,648 | 4,834,954 | (310,694) |
| Other State Revenue | 15,387,488 | 16,196,781 | 809,293 | 1,763,054 | 1,862,870 | 99,816 | | | | | | | 21,618,832 | 22,560,265 | 941,433 |
| Other Local Revenue | 954,835 | 1,212,451 | 257,616 | 811,506 | 1,262,095 | 450,589 | \$ 1,141,847 | \$ 2,348,187 | \$ 1,206,340 | \$ 4,468,290 | \$ 4,468,291 | \$ 1 | 4,070,055 | 7,610,360 | 3,540,305 |
| Total Revenues | 60,694,675 | 61,347,730 | 653,055 | 5,907,170 | 6,894,549 | 987,379 | 1,141,847 | 2,380,510 | 1,238,663 | 5,630,157 | 7,255,918 | 1,625,761 | 73,373,849 | 77,878,707 | 4,504,858 |
| EXPENDITURES | | | | | | | | | | | | | | | |
| Certificated Salaries | 30,744,594 | 30,240,678 | 503,916 | 1,738,221 | 1,695,896 | 42,325 | | | | | | | 32,482,815 | 31,936,574 | 546,241 |
| Classified Salaries | 9,277,577 | 9,227,514 | 50,063 | 1,857,314 | 1,848,301 | 9,013 | | | | | | | 11,134,891 | 11,075,815 | 59,076 |
| Employee Benefits | 8,440,345 | 8,337,538 | 102,807 | 750,769 | 699,946 | 50,823 | | | | | | | 9,191,114 | 9,037,484 | 153,630 |
| Books and Supplies | 5,009,404 | 3,270,567 | 1,738,837 | 1,571,597 | 1,439,493 | 132,104 | | | | | | | 6,581,001 | 4,710,060 | 1,870,941 |
| Services and Other | | | | | | | | | | | | | | | |
| Operating Expenditures | 6,088,705 | 6,088,325 | 380 | 1,242,738 | 1,022,828 | 219,910 | | | | | | | | | |
| Capital Outlay | 3,031,494 | 2,715,683 | 315,811 | 394,308 | 306,672 | 87,636 | | | | | | | 15,165,519 | 14,067,389 | 1,098,130 |
| Debt Service: | | | | | | | | | | | | | | | |
| Principal Retirement | 810,460 | 810,460 | | | | | 355,000 | 630,000 | (275,000) | | | | 1,165,460 | 1,440,460 | (275,000) |
| Interest and Fiscal Charges | 232,431 | 232,430 | 1 | | 9,723 | (9,723) | 1,466,471 | 2,040,023 | (573,552) | | | | 1,698,902 | 2,282,176 | (583,274) |
| Other Expenditures | 802,229 | 939,952 | (137,723) | 81,563 | 91,744 | (10,181) | | | | | | | 883,792 | 1,031,696 | (147,904) |
| Total Expenditures | 64,437,239 | 61,863,147 | 2,574,092 | 7,636,510 | 7,114,603 | 521,907 | 1,821,471 | 2,795,019 | (973,548) | 12,078,451 | 11,048,615 | 1,031,836 | 85,973,671 | 82,819,384 | 3,154,287 |
| Excess of Revenues (Under) Expenditures | (3,742,564) | (515,417) | 3,227,147 | (1,729,340) | (220,054) | 1,509,286 | (679,624) | (414,509) | 265,115 | (6,448,294) | (3,790,697) | 2,657,597 | (12,599,822) | (4,940,677) | 7,659,145 |
| Other Financing Sources (Uses): | | | | | | | | | | | | | | | |
| Operating Transfers In | 225,242 | 476,270 | 251,028 | 770,000 | 324,104 | (445,896) | | 743,117 | 743,117 | | | | 995,242 | 1,543,491 | 548,249 |
| Operating Transfers Out | (497,854) | (401,866) | 95,988 | (243,039) | (244,853) | (1,814) | | (76,804) | (76,804) | (688,644) | (819,968) | (131,324) | (1,429,537) | (1,543,491) | (113,954) |
| Other Sources | 439,028 | 439,028 | | | | | | 400,830 | 400,830 | | 2,599,170 | 2,599,170 | 439,028 | 3,439,028 | 3,000,000 |
| Total Other Financing Sources (Uses) | 166,416 | 513,432 | 347,016 | 526,961 | 79,251 | (447,710) | 0 | 1,067,143 | 1,067,143 | (688,644) | 1,779,202 | 2,467,846 | 4,733 | 3,439,028 | 3,434,295 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | <u>\$ (3,576,148)</u> | <u>(1,985)</u> | <u>\$ 3,574,163</u> | <u>\$ (1,202,379)</u> | <u>(140,803)</u> | <u>\$ 1,061,576</u> | <u>\$ (679,624)</u> | <u>657,834</u> | <u>\$ 1,332,258</u> | <u>\$ (7,136,938)</u> | <u>(2,011,495)</u> | <u>\$ 5,125,443</u> | <u>\$ (12,595,089)</u> | <u>(1,501,649)</u> | <u>\$ 11,093,440</u> |
| Fund Balances - July 1, 2000 (As restated - Note 17) | | 6,863,006 | | | 2,091,774 | | | 2,001,665 | | | 13,842,063 | | | 24,798,508 | |
| Fund Balances - June 30, 2001 | | <u>\$ 6,861,021</u> | | | <u>\$ 1,950,971</u> | | | <u>\$ 2,651,209</u> | | | <u>\$ 11,830,568</u> | | | <u>\$ 23,296,859</u> | |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

PITTSBURG UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The Pittsburg Unified School District (the "District") and the Pittsburg Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship that meets the reporting entity definition criteria of the (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the accompanying financial statements of the District.

The Corporation

The Corporation was formed in March 1994, pursuant to the general California nonprofit corporation laws, to provide financial assistance to the District for construction and acquisition of major capital facilities. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

The financial activities of the Corporation are presented in the Corporation Debt Service Fund and the Corporation Acquisition Fund.

Certificates of Participation issued by the Corporation are included in the General Long-Term Debt Account Group.

The following are those aspects of the relationship between the District and the Corporation that satisfy GASB Codification Section 2100 criteria.

Manifestations of Oversight

The Corporation's Board of Directors was appointed by the District Board of Education.

The Corporation has no employees. The District's Assistant Superintendent of Business Services functions as agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.

The District exercises significant influence over operations of the Corporation as it is anticipated that the District will always be the sole lessee of all facilities owned by the Corporation.

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Concluded)

Accountability for Fiscal Matters

It is anticipated that the District's lease payments will be the sole revenue source of the Corporation. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.

The District has assumed a "moral obligation", and potentially a legal obligation, for any debt incurred by the Corporation.

Scope of Public Service

The Corporation was created for the sole purpose of financially assisting the District. Upon completion, the District intends to occupy all corporation facilities under a lease-purchase agreement effective through the year 2024.

C. Fund Accounting

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

GOVERNMENTAL FUNDS:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

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

1. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.
2. Trustee Fund is used to account for the accumulation of resources for the repayment of, general obligation bond B and COP's interest and related costs.
3. Corporation Debt Service Fund is used to account for the payment of interest and redemption of principal on Certificates of Participation issued by the Pittsburg Unified School District Financing Corporation.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains five capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. State School Building Lease-Purchase Fund is used primarily to account for state apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17700-17780).
3. Building Fund is used to account for the acquisition of major government capital facilities and buildings from the sale of bonds.
4. Corporation Acquisition Fund is used to account for proceeds from the sale of certificates of participation, which are used to finance the acquisition and/or construction of major capital facilities.
5. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains eleven agency funds, one for each school's student body

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

PITTSBURG UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

ACCOUNT GROUP:

The accounting and reporting treatment applied to the long-term liabilities and fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the Account Group of the District.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt which is recognized when due.

Trust and Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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.

H. Inventories

Inventories are recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve that indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

I. Prepaid Expenses

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2001.

J. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. This liability is recognized in the general long-term debt account group. The value of accumulated unpaid vacation benefits at June 30, 2001 was \$61,357.

Accumulated employee sick leave benefits are not recognized as liabilities of the District as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

K. Deferred Revenue

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in revenue that cannot be recognized until such expenditures are incurred.

L. Fund Balance Reserves and Designations

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

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

M. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if not paid by December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

N. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Authorized Deposits/Investments

In accordance with Education Code Section 41001, the District maintains substantially all of its cash with the Contra Costa County Treasurer. The County pools these funds and invests the cash. These pooled funds are carried at cost, which approximates fair value. Any investment losses are proportionately shared by all funds in the pool.

At June 30, 2001, the fair value of the District's share of pooled investments in the Contra Costa County Treasury exceeded cost by \$57,932. Based on the fundamental assumption that Governmental Accounting Standards Board (GASB) standards need not be applied to immaterial items, the District has elected to continue reporting pooled investments at cost in these financial statements.

The County may invest in accordance with section 53601 and 53635 of the California Government Code:

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit placed with commercial banks or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificates of participation
- Obligations with first priority security
- Collateralized mortgage obligations

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

Credit Risk

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

Deposits held in banks are fully insured by the Federal Depository Insurance Corporation or collateralized with securities held by the banks.

Derivative Investments

The District did not directly enter into any derivative investments. Information relating to the use of derivative investments by the County was not available.

Cash Balances

Cash at June 30, 2001 consisted of the following:

| | | |
|---------------------------|--|---------------|
| Pooled Funds: | | |
| Cash in County Treasury | | \$ 15,531,436 |
| Deposits: | | |
| Cash on Hand and in Banks | | 371,602 |
| Cash in Revolving Fund | | 105,000 |
| Cash with Fiscal Agent | | 4,420,350 |

Cash with Fiscal Agent will be used to repay the tax revenue anticipation notes on July 3, 2001.

Investments

Investments at June 30, 2001 consisted of the following:

| | <u>Category **</u> | | <u>Carrying Amount</u> | <u>Fair Value</u> |
|------------------------------|----------------------------|----------|----------------------------|----------------------------|
| | <u>1</u> | <u>2</u> | | |
| Government Obligations | \$ 3,804,321 | | \$ 3,804,321 | \$ 3,804,321 |
| Local Agency Investment Fund | <u>5,418,358</u> | | <u>5,418,358</u> | <u>5,418,358</u> |
| Total Investments | <u>\$ 9,222,679</u> | | <u>\$ 9,222,679</u> | <u>\$ 9,222,679</u> |

** Category 1 includes investments that are insured or collateralized.
 Category 2 includes investments that are not insured or collateralized.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

| <u>Fund</u> | <u>Excess Expenditures</u> |
|---------------------------------------|----------------------------|
| <u>General Fund:</u> | |
| Other Expenditures | \$ 137,723 |
| <u>Special Revenue Funds:</u> | |
| Cafeteria Fund: | |
| Interest and Fiscal Charges | 9,723 |
| Adult Education Fund: | |
| Other Expenditures | 158 |
| <u>Child Development Fund:</u> | |
| Contract Services | 42,819 |
| Other Expenditures | 10,023 |
| <u>Debt Service Funds:</u> | |
| Bond Interest and Redemption Fund: | |
| Interest and Fiscal Charges | 38,922 |
| Trustee Fund: | |
| Principal Retirement | 55,000 |
| Interest and Fiscal Charges | 44,165 |
| <u>Corporation Debt Service Fund:</u> | |
| Contract Services | 124,996 |
| Principal Retirement | 220,000 |
| Interest and Fiscal Charges | 490,465 |
| <u>Capital Projects Funds:</u> | |
| Building Fund: | |
| Capital Outlay | 579,586 |

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised. The District did have available appropriations in other expenditure classifications and/or unbudgeted revenues, which were sufficient to cover all overages, and only lacked the year-end budget adjustments to bring the budgets into alignment with the expenditures. The District does not adopt a budget for the Trustee Fund or the Corporation Debt Service Fund. In addition, the District does not adopt a budget for the Bond Interest and Redemption Fund, which is under the control of the Contra Costa County Auditor.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 4 - RECEIVABLES

Receivables at June 30, 2001 consist of the following:

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> | <u>Trust and Agency Funds</u> | <u>Totals</u> |
|----------------------|---------------------|------------------------------|---------------------------|-------------------------------|-------------------------------|---------------------|
| Federal Government | | | | | | |
| Categorical Programs | \$ 186,170 | \$ 386,754 | | | | \$ 572,924 |
| State Government | | | | | | |
| State Aid | | \$ 105,365 | | | | \$ 105,365 |
| Categorical Programs | \$ 808,723 | 127,892 | | | | 936,615 |
| Lottery | 538,371 | | | | | 538,371 |
| Other Allowances | 843,794 | 315,140 | | | | 1,158,934 |
| Total State | \$ 2,188,888 | \$ 548,397 | | | | \$ 2,737,285 |
| Local Governments | \$ 189,026 | | | | | \$ 189,026 |
| Interest | \$ 61,283 | \$ 6,345 | \$ 20,878 | \$ 30,589 | \$ 2,076 | \$ 121,161 |
| Miscellaneous | \$ 81,768 | | | | | \$ 81,768 |

NOTE 5 - INTERFUND TRANSACTIONS

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2001 are as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-------------------------|------------------------------|---------------------------|
| General Fund | \$ 633,113 | \$ 112,850 |
| Deferred Maintenance | | 112,850 |
| Cafeteria | | 262,924 |
| Adult Education | | 100,576 |
| Corporation Acquisition | | 154,613 |
| Totals | \$ 745,963 | \$ 745,963 |

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

B. Interfund Transfers

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

Interfund transfers for fiscal year 2000-01 were as follows:

| | |
|--|----------------------------|
| Transfer from General Fund to Deferred Maintenance Fund to match state allocation | \$ 324,104 |
| Transfer from Building Fund to Corporation Debt Service Fund for debt service payments | 219,884 |
| Transfer from Capital Facilities Fund to Corporation Debt Service Fund for debt service payments | 445,471 |
| Transfer from Cafeteria Fund to General Fund to reimburse indirect support costs | 144,278 |
| Transfer from General Fund to Trustee Fund for debt service payments | 77,762 |
| Transfer from Adult Education Fund to General Fund to reimburse indirect support costs | 100,575 |
| Transfer from Trustee Fund to General Fund to close a trustee account | 76,804 |
| Transfer from Corporation Acquisition Fund to General Fund to reimburse Marina site improvements | <u>154,613</u> |
| Total Transfers | <u>\$ 1,543,491</u> |

NOTE 6 - GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the Pittsburg Unified School District at June 30, 2001, is:

| Date Of Issue | Interest Rate % | Maturity Date | Amount of Original Issue | Outstanding July 1, 2000 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2001 |
|---------------|-----------------|---------------|--------------------------|--------------------------|---------------------|-----------------------|---------------------------|
| 1995 | 4.50-5.25 | 2020 | \$ 5,000,000 | \$ 4,770,000 | | \$ 125,000 | \$ 4,645,000 |
| 1997 | 4.50-5.25 | 2021 | 5,000,000 | 4,895,000 | | 115,000 | 4,780,000 |
| 1998 | 3.70-7.00 | 2023 | 5,000,000 | 4,945,000 | | 115,000 | 4,830,000 |
| 1999 | 4.00-7.00 | 2024 | 10,000,000 | 10,000,000 | | | 10,000,000 |
| 2000 | 5.10-6.25 | 2025 | 5,000,000 | 5,000,000 | | | 5,000,000 |
| | | | <u>\$ 30,000,000</u> | <u>\$ 29,610,000</u> | <u>\$ 0</u> | <u>\$ 355,000</u> | <u>\$ 29,255,000</u> |

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2001, are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------|-----------------------------|-----------------------------|-----------------------------|
| 2002 | \$ 670,000 | \$ 1,469,103 | \$ 2,139,103 |
| 2003 | 770,000 | 1,423,008 | 2,193,008 |
| 2004 | 805,000 | 1,374,993 | 2,179,993 |
| 2005 | 860,000 | 1,326,539 | 2,186,539 |
| 2006 | 925,000 | 1,279,541 | 2,204,541 |
| Thereafter | <u>25,225,000</u> | <u>12,674,637</u> | <u>37,899,637</u> |
| Totals | <u>\$ 29,255,000</u> | <u>\$ 19,547,821</u> | <u>\$ 48,802,821</u> |

NOTE 7 - CERTIFICATES OF PARTICIPATION

In July 1997, the Alameda / Contra Costa Schools Financing Authority issued Series D certificates of participation in the amount of \$1,020,000, in the name of Pittsburg Unified School District, with an interest rate of 4.5%.

In February 1999, the Pittsburg Unified School District Financing Corporation issued certificates of participation in the amount of \$11,720,000, with interest rates ranging from 3.75% to 4.70%.

In February 2001, the Pittsburg Unified School District Financing Corporation issued certificates of participation in the amount of \$3,000,000, with interest rates ranging from 3.50% to 4.40%.

At June 30, 2001, the principal balance outstanding was \$15,065,000.

The certificates mature through 2025 as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------|-----------------------------|----------------------------|-----------------------------|
| 2002 | \$ 395,000 | \$ 643,452 | \$ 1,038,452 |
| 2003 | 450,000 | 617,726 | 1,067,726 |
| 2004 | 450,000 | 600,533 | 1,050,533 |
| 2005 | 550,000 | 580,816 | 1,130,816 |
| 2006 | 565,000 | 559,063 | 1,124,063 |
| Thereafter | <u>12,655,000</u> | <u>5,401,317</u> | <u>18,056,317</u> |
| Totals | <u>\$ 15,065,000</u> | <u>\$ 8,402,907</u> | <u>\$ 23,467,907</u> |

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 8 - CAPITAL LEASES

The District leases buses, buildings and equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

| Year Ending June 30 | Lease Payments |
|---|---------------------|
| 2002 | \$ 626,981 |
| 2003 | 717,493 |
| 2004 | 459,203 |
| 2005 | 446,697 |
| 2006 | 357,236 |
| Thereafter | <u>760,472</u> |
| Total payments | 3,368,082 |
| Less amounts representing interest | <u>(609,247)</u> |
| Present value of net minimum lease payments | <u>\$ 2,758,835</u> |

The District will receive no sublease rental revenues nor pay any contingent rentals for these capital assets.

NOTE 9 - RETIREE HEALTH BENEFITS

In addition to the pension benefits described in Note 12 the District provides retiree health benefits to all employees who retire from the District on or after attaining the age of 55 till age 65 provided they have met certain service requirements.

For employees retiring on June 1, 1978, and thereafter, the District shall contribute toward the health benefit program, capped in the same dollar amount, and with the same coverage limitations for retirees as it does for active employees. As of June 30, 2001, fifty-four (54) retirees met the eligibility requirements.

Future estimated payments relating to individuals currently receiving medical benefits are as follows:

| Year Ended June 30 | Retiree Health Benefits |
|-----------------------|-------------------------------|
| 2002 | \$ 286,016 |
| 2003 | 243,674 |
| 2004 | 181,203 |
| 2005 | 139,649 |
| 2006 | 90,910 |
| Thereafter | <u>201,655</u> |
| Total | <u>\$ 1,143,107</u> |

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 10 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2001, is as follows:

| | Balance July 1, 2000 | Additions | Deductions | Balance June 30, 2001 |
|-------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| Compensated Absences | \$ 134,761 | | \$ 73,404 | \$ 61,357 |
| General Obligation Bonds | 29,610,000 | | 355,000 | 29,255,000 |
| Certificates of Participation | 12,340,000 | \$ 3,000,000 | 275,000 | 15,065,000 |
| Capital Leases | 2,976,177 | 439,028 | 656,370 | 2,758,835 |
| Litigation Payable | 154,090 | | 154,090 | 0 |
| Retiree Health Benefits | <u>780,000</u> | <u>363,107</u> | | <u>1,143,107</u> |
| Totals | <u>\$ 45,995,028</u> | <u>\$ 3,802,135</u> | <u>\$ 1,513,864</u> | <u>\$ 48,283,299</u> |

NOTE 11 - FUND BALANCES

Reservations of fund balances as of June 30, 2001 are as follows:

| | General Fund | Special Revenue Funds | Debt Service Funds | Expendable Trust Fund | Totals |
|---------------------|---------------------|-----------------------------|--------------------------|-----------------------------|---------------------|
| Revolving Cash | \$ 100,000 | \$ 5,000 | | | \$ 105,000 |
| Stores Inventory | | 62,239 | | | 62,239 |
| Prepaid Expenses | 5,909 | | | | 5,909 |
| Scholarships | | | | \$ 156,028 | 156,028 |
| Restricted Programs | 3,328,434 | | | | 3,328,434 |
| Debt Service | | | <u>\$ 2,654,299</u> | | <u>2,654,299</u> |
| Totals | <u>\$ 3,434,343</u> | <u>\$ 67,239</u> | <u>\$ 2,654,299</u> | <u>\$ 156,028</u> | <u>\$ 6,311,909</u> |

Reserved for Revolving Fund represents the portion of the ending fund balance represented by the revolving fund cash.

Reserved for Stores Inventory represents the portion of the ending fund balance represented by stores inventory.

Reserved for Prepaid Expenses represents the portion of the ending fund balance represented by prepaid expenses.

Reserved for Scholarships represents the portion of the ending fund balance represented by scholarship cash and investments.

Reserved for Restricted Programs reflects unspent program revenues, which are legally restricted for future use.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 11 - FUND BALANCES (CONCLUDED)

Restricted program balances at June 30, 2001 are as follows:

| | |
|---|---------------------|
| Gifted and Talented Education | \$ 54,835 |
| Instructional Materials K-8 | 174,277 |
| Instructional Materials 9-12 | 38,377 |
| Schiff-Bustamante Instructional Materials | 814,941 |
| Lottery Instructional Materials | 241,510 |
| Instructional Materials Block Grant | 132,140 |
| Peer Assistance and Review | 264,730 |
| Classroom Library Materials K-4 | 45,838 |
| Public Library Materials K-12 | 335,244 |
| Tenth Grade Counseling | 49,397 |
| Staff Development SB 1882 | 21,254 |
| District Block Grant | 235,193 |
| Intermediate Intervention | 130,913 |
| Class Size Reduction Facilities | 502,903 |
| English Language Acquisition Program | 224,633 |
| School Safety | 62,249 |
| Total | \$ 3,328,434 |

Reserved for Debt Service includes \$1,474,370 in the Bond Interest and Redemption Fund, reserved for future payment of interest and redemption of bond principal; \$75,486 and \$1,104,443 in the Trustee Fund and the Corporation Debt Service Fund, respectively, reserved for future payment of interest and redemption of certificates of participation principal.

Designations of the ending fund balance of the General Fund as of June 30, 2001 are as follows:

| | |
|------------------------------|---------------------|
| Economic Uncertainties | \$ 1,850,281 |
| Underperforming Schools | 100,311 |
| Summer Institute | 100,000 |
| Science Museum | 60,000 |
| High School Track | 30,000 |
| Mandated Cost Rebate | 50,000 |
| Superintendent's Assistant | 55,000 |
| Site Block Grant | 28,180 |
| Preventive Maintenance | 28,000 |
| Governor's Performance Award | 325,759 |
| API Awards | 320,536 |
| Total | \$ 2,948,067 |

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 12- EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under retirement 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).

A. 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 plan members and 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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2000-01 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, 2001, 2000, and 1999, were \$2,357,038, \$2,117,169 and \$1,919,773, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Funding Policy

Active plan members are required to contribute 7.0% 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 2000-01 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2001, 2000, and 1999, were \$0 \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS). This payment consists of state general fund contributions to STRS in the amount of \$1,750,207 (6.126% of salaries subject to STRS). The District has chosen not to include the revenues and expenditures for the payment in the financial statements. This amount represents a financial disclosure only and would not change the fund balance of any District fund had they been recorded.

NOTE 14 - STUDENT BODY FUNDS

Student Body Funds often engage in activities that involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area, for some fundraisers, does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000-01, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years. (See Note 16 for the nature of District participation in the JPAs)

NOTE 16 - JOINT VENTURES

The District participates in two joint ventures under joint powers agreements (JPAs); the Contra Costa County and Solano County Schools Insurance Group (CCSCSIG) for Property and Liability Insurance, and the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

NOTE 16 - JOINT VENTURES (CONCLUDED)

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

Nature of Participation

Property

| | | | |
|----------------------|----|-----------|--------------|
| District Deductible: | \$ | 1,000 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |

Liability

| | | | |
|----------------------|----|-----------|--------------|
| District Deductible: | \$ | 0 | |
| JPA's SIR: | | 25,000 | |
| Excess Insurance: | | 1,000,000 | (Commercial) |
| | | 5,000,000 | (Commercial) |

Condensed audited financial information of CCCSIG for the fiscal year ended June 30, 2001, and condensed audited financial information of CCSCSDSIA for the fiscal year ended June 30, 2000, the most recent available, is as follows:

| | CCCSIG Workers' <u>Compensation</u> | CCSCSDSIA Property and <u>Liability</u> |
|--------------------------------------|---|---|
| Total Assets | \$ 52,241,761 | \$ 950,939 |
| Total Liabilities | \$ 31,491,367 | \$ 945,201 |
| Total Fund Equity | 20,750,394 | 5,738 |
| Total Liabilities and Fund Equity | \$ 52,241,761 | \$ 950,939 |
| Total Revenues | \$ 17,124,791 | \$ 397,489 |
| Total Expenditures | 19,469,319 | 624,188 |
| Net (Decrease) in Fund Equity | \$ (2,344,528) | \$ (226,699) |

The JPAs did not have long-term debt outstanding at June 30, 2001 or June 30, 2000, respectively. The District's share of year-end assets, liabilities and fund equity has not been calculated.

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

PITTSBURG UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 17 - RESTATEMENT OF FUND BALANCES

The beginning fund balance of the General Fund has been restated to reflect adjustments made to the fiscal year 2000-01 second principal apportionment for previously unresolved state non-compliance issues relating to instructional time, continuation school attendance, independent study attendance, pupil teacher ratios, and kindergarten retention forms. In addition, the beginning fund balance has also been restated to correct a prior year understatement of an accounts payable to the state for excess apportionments received during fiscal year 1999-00. The net effect of these adjustments results in a \$440,288 decrease to the beginning fund balance.

The beginning fund balance of the Adult Education Fund has been restated to correct prior year overstatements of accounts receivables related to Vocational Education and Adult Basic Education revenues in the amounts of \$2,824 and \$34,003, to correct a prior year understatement of an accounts receivable related to State Aid revenues in the amount of \$44,082, and to correct a prior year understatement of deferred revenue in the amount of \$117,904 related to Community Based English Tutoring revenue.

The beginning fund balance of the Child Development Fund has been restated to correct a prior year overstatement of accounts payable due to State in the amount of \$35,458.

The beginning fund balance of the State School Building Fund has been restated to correct a \$1,244,090 prior year understatement of State School Building Fund expenditures, which were incorrectly recorded as expenditures in the Building Fund.

The beginning fund balance of the Building Fund has been restated to correct a \$1,244,090 prior year overstatement of expenditures, related to a State School Building Fund project, which were incorrectly recorded as expenditures in the Building Fund.

The effect of the restatements on these financial statements is as follows:

| | General Fund | Adult Education Fund | Child Development Fund | State School Building Fund | Building Fund |
|--|-----------------|----------------------------|------------------------------|-------------------------------------|------------------|
| Fund Balances - July 1, 2000 (as originally stated) | \$ 7,303,294 | \$ 1,121,220 | \$ (35,458) | \$ 3,082,382 | \$ 9,615,502 |
| Overstatement of Accounts Receivable | | (36,827) | | | |
| Understatement of Accounts Receivable | | 44,082 | | | |
| Overstatement of Accounts Payable | | | 35,458 | | |
| Understatement of Accounts Payable | (440,288) | | | | |
| Understatement of Deferred Revenue | | (117,904) | | | |
| Overstatement of Expenditures | | | | | 1,244,090 |
| Understatement of Expenditures | | | | (1,244,090) | |
| Net effects | (440,288) | (110,649) | 35,458 | (1,244,090) | 1,244,090 |
| Fund Balances - July 1, 2000 (as restated) | \$ 6,863,006 | \$ 1,010,571 | \$ 0 | \$ 1,838,292 | \$ 10,859,592 |

NOTE 18 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 19 - DEFICIT FUND BALANCE

At June 30, 2001, the Child Development Fund has a deficit fund balance of \$25,837. The District expects to eliminate the deficit during fiscal year 2001-02 by transferring available resources from the General Fund.

NOTE 20 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 3, 2001, the District issued tax and revenue anticipation notes for \$4,500,000. The notes mature on July 2, 2002 and bear interest at 3.25%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

APPENDIX D

EXCERPTS FROM THE
CONTRA COSTA COUNTY INVESTMENT PORTFOLIO REPORT

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In accordance with Education Code Section 41001, and Government Code 53600, *et seq.*, school districts in the State maintain substantially all operating funds in the treasuries of the counties in which the school districts are located. Each county is required to invest such funds in accordance with Government Code 53601, *et seq.* In addition, counties have established their own investment policies which are generally intended to outline further limitations beyond those required by the Government Code.

The following information has been provided by the Treasurer of the County for inclusion in the Official Statement. The Board takes no responsibility for the accuracy or completeness thereof. Further information may be obtained by contacting the County Treasurer.

The Treasurer accepts funds only from agencies located within the County for investment in the Pool. As of March 31, 2002, the total investment pool equaled \$1,415,750,086 and the fair value was \$1,419,500,303.

The following table summarizes the composition of the Pool as of March 31, 2002.

**CONTRA COSTA COUNTY INVESTMENT POOL
PORTFOLIO COMPOSITION
(as of March 31, 2002)**

| <u>Type of Investment</u> | <u>Cost Value</u> | <u>Fair Value</u> | <u>Percent of Total (Cost Value)</u> |
|--|----------------------------------|----------------------------------|--|
| U.S. Treasuries (STRIPS, Bills, Notes) | \$ 10,409,960.61 | \$ 11,409,393.79 | 0.74% |
| U.S. Agencies | 204,818,201.66 | 205,826,021.94 | 14.46 |
| Money Market Instruments | 450,768,390.48 | 451,337,560.53 | 31.84 |
| Local Agency Investment Fund | 502,250,132.26 | 502,647,161.01 | 35.47 |
| Other | 164,502,236.71 | 165,279,001.90 | 11.63 |
| Cash | <u>83,001,173.98</u> | <u>83,001,173.98</u> | <u>6.86</u> |
| TOTAL | <u>\$1,415,750,085.72</u> | <u>\$1,419,500,303.15</u> | <u>100.00%</u> |

As of March 31, 2002, the weighted average maturity of the Contra Costa County Investment Pool was 82 days. The following table summarizes the maturity structure of the Pool.

**CONTRA COSTA COUNTY INVESTMENT POOL
PORTFOLIO MATURITY STRUCTURE
(as of March 31, 2002)**

| <u>Term of Maturity</u> | <u>Cost Value</u> | <u>Percent of Total (Cost Value)</u> |
|--|-------------------------------|--|
| Maturities Less than 1 year | \$1,314,450,887 | 92.84% |
| Maturities 1 to 2 years | 58,552,056 | 4.14 |
| Maturities 2 to 3 years | 27,032,301 | 1.91 |
| Maturities 3 to 4 years | 3,356,132 | 0.24 |
| Maturities 4 to 5 years | 11,448,573 | 0.81 |
| Maturities Greater than 5 years ^(a) | <u>910,137</u> | <u>0.06</u> |
| TOTAL | <u>\$1,415,750,086</u> | <u>100.00%</u> |

^(a) Represents bond proceeds of school districts

The County reports that it is current practice for the Treasurer to mark the portfolio to market on a monthly basis. Such evaluations are performed by the County. The County expects the Pool will have sufficient liquid funds to meet disbursement requirements of Pool participants for the next six months.

