NEW ISSUE—BOOK-ENTRY ONLY

2015-1225

RATING:
S&P: "AA"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$14,030,000
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
2015 General Obligation Refunding Bonds

Dated: Date of Delivery **Due: September 1, as shown below**

The $14,030,000 Walnut Creek School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds (the "Bonds") are being issued by the Walnut Creek School District (the "District") pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Board of Trustees of the District. The Bonds are being issued to (a) refund, on a current basis, (i) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series A, (ii) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series B, (ii) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series C, and (iv) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) 2007 General Obligation Refunding Bonds, and (b) pay for costs of issuance of the Bonds.

The Bonds constitute general obligations of the District. The Board of Supervisors of Contra Costa County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2015. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

CUSIP† Prefix: 932712

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
2015	$ 180,000	4.000%	0.200%	100.643%	NE8	2024	$1,070,000	5.000%	2.300%	122.203%	NP3
2016	950,000	5.000	0.300	105.482	NF5	2025	835,000	4.000	2.550	112.914	NQ1
2017	1,000,000	5.000	0.700	109.241	NG3	2026	865,000	4.000	2.700	111.490c	NR9
2018	1,000,000	5.000	1.050	112.280	NH1	2027	905,000	3.000	2.900	100.872c	NS7
2019	1,000,000	5.000	1.300	114.967	NJ7	2028	590,000	3.000	3.050	99.458	NT5
2020	1,035,000	5.000	1.550	117.073	NK4	2029	605,000	3.000	3.220	97.510	NU2
2021	1,130,000	5.000	1.800	118.603	NL2	2030	295,000	3.250	3.350	98.815	NV0
2022	1,255,000	5.000	2.000	119.942	NM0	2031	305,000	3.375	3.500	98.463	NW8
2023	1,010,000	5.000	2.150	121.245	NN8						

This cover page and the inside cover page contain information for quick reference only. They are not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 30, 2015.

June 11, 2015

c Priced to the September 1, 2025, par call date.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond or note owner and the District or the Underwriter indicated in this Official Statement.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a 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.

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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TABLE OF CONTENTS

WALNUT CREEK SCHOOL DISTRICT
960 Ygnacio Valley Road
Walnut Creek, California 94597
(510) 644-4500
http://www.walnutcreeksd.org /

BOARD OF TRUSTEES

DISTRICT ADMINISTRATION

Patricia Wool, Ed.D., *Superintendent*
Kevin Collins, Ed.D., *Chief Business Official*
Lisa Cheney, *Director of Curriculum Services*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

MUNICIPAL ADVISOR
Isom Advisors
A Division of Urban Futures, Incorporated
Walnut Creek, California

PAYING AGENT, TRANSFER AGENT,
AUTHENTICATION AGENT and ESCROW BANK
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

$14,030,000
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
2015 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page, the cover page and appendices hereto, provides information in connection with the sale of $14,030,000 Walnut Creek School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds (the "Bonds").

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

The District

The District includes approximately 25 square miles in the northern part of Contra Costa County (the "County") and provides educational services (K-8) to the residents of most of the City of Walnut Creek (the "City"). The District operates five elementary schools and one middle school, serving over 3,300 students. The estimated population of the District is 65,233.

The District is governed by a Board of Trustees consisting of five members. Members are elected to four-year terms in staggered years. The day-to-day operations are managed by a board-appointed Superintendent.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2014, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

Sources of Payment for the Bonds

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issue; Purpose of Issue

The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division

2 of Title 5 of the California Government Code (the "Refunding Bond Law"). The Bonds are authorized to be issued pursuant to a resolution (the "Bond Resolution"), adopted by the Board of Trustees of the District (the "District Board") on May 4, 2015.

The Bonds are being issued to (a) refund, on a current basis, (i) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series A (the "2002A Bonds"), (ii) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series B (the "2002B Bonds"), (ii) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series C (the "2002C Bonds"), and (iv) a portion of the District's outstanding Walnut Creek School District (Contra Costa County, California) 2007 General Obligation Refunding Bonds (the "2007 Bonds"), and (b) pay for costs of issuance of the Bonds.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each March 1 and September 1 (each an "Interest Payment Date"), commencing September 1, 2015.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY ONLY SYSTEM. In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser thereof, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 30, 2015.

Continuing Disclosure

The District will covenant for the benefit of the holders of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

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 for inspection at the office of the Superintendent, Walnut Creek School District, 960 Ygnacio Valley Road, Walnut Creek, CA 94597, telephone (510) 644-4500. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. 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 representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of the Refunding Bond Law. The Bonds are authorized pursuant to the Bond Resolution.

Purpose of Issuance

The Bonds are being issued to (a) refund, on a current basis, a portion of the 2002A Bonds, a portion of the 2002B Bonds, a portion of the 2002C Bonds and a portion of the 2007 Bonds, and (b) pay the costs of issuance of the Bonds. See "THE BONDS—Sources and Uses of Funds."

The District has authorized and issued certain other general obligation bonds. See APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure.

Security

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected with respect to the Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County Treasurer-Tax Collector will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by County, through the County Treasurer-Tax Collector, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "BOOK-ENTRY ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing September 1, 2015. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before August 15, 2015, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the cover page hereof. The principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. See also "Book Entry Only System" below.

See the maturity schedules on the cover page hereof and "THE BONDS—Debt Service Schedule."

Payment

The principal of the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The principal of and interest on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute obligations of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on and prior to September 1, 2025, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after September 1, 2026, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after September 1, 2025, from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, on a pro rata basis among maturities subject to redemption. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bonds as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by five thousand dollars.

Notice of Redemption. The Paying Agent is required to give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bonds to be redeemed, the portion of the principal amount of such Bonds to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, or if the registered owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices, and by first class mail, postage prepaid, to the District and the respective owners of any registered Bonds designated for redemption at their addresses appearing on the bond register, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which the notice of redemption was originally given. The actual receipt by the owner of any Bonds of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds. Upon the surrender of any Bonds redeemed in part only (other than Bonds redeemed from sinking fund payments), the Paying Agent shall execute and deliver to the registered owner thereof a new Bonds or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the

Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed shall become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

All or a portion of the Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay all such Bonds outstanding to be paid or redeemed, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities (as defined below), as permitted under section 149(d) of the Internal Revenue Code of 1986, as amended (the "Code"), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all such Bonds to be paid or redeemed (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of such Bonds will not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Bonds to be paid or redeemed will cease and terminate, except for the obligation of the County and the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Defeasance Securities" means United States Treasury Bonds, Notes, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Bond Resolution (each, a "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Any Bond may be exchanged for Bonds of the same series of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer Amount") upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District will sign and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Bond Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Interest Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Bonds are as follows:

Sources of Funds:	
Principal Amount of Bonds	$14,030,000.00
Plus: Net Original Issue Premium	1,696,120.65
Total Sources of Funds	$15,726,120.65
Uses of Funds:	
Deposit to 2002A Escrow Fund	$2,941,212.50
Deposit to 2002B Escrow Fund	3,905,950.00
Deposit to 2002C Escrow Fund	3,621,555.00
Deposit to 2007 Escrow Fund	5,018,621.88
Costs of Issuance (1)	238,781.27
Total Uses of Funds	$15,726,120.65

(1) Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, municipal advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

Refunding Plan

2002A Bonds. A portion of the proceeds of the Bonds in an amount sufficient to redeem a portion of the 2002A Bonds in full on September 1, 2015, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date, will be deposited in an escrow fund (the "2002A Escrow Fund") under an escrow agreement, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"). See "THE BONDS—Estimated Sources and Uses of Funds." The moneys deposited in the 2002A Escrow Fund will be held in trust solely for the 2002A Bonds to be refunded and will not be available to pay principal of, or premium or interest on, the Bonds or any bonds other than the 2002A Bonds to be refunded.

The 2002A Bonds to be refunded as shown in the following table:

Maturity Date	Amount Redeemed	Interest Rate	Call Date	Call Price	CUSIP Number†
9/1/16	$155,000	4.100%	9/1/15	100.000	932703 CP4
9/1/17	165,000	4.200	9/1/15	100.000	932703 CQ2
9/1/18	180,000	4.300	9/1/15	100.000	932703 CR0
9/1/19	195,000	4.400	9/1/15	100.000	932703 CS8
9/1/20	210,000	4.500	9/1/15	100.000	932703 CT6
9/1/21	225,000	4.500	9/1/15	100.000	932703 CU3
9/1/22	240,000	4.600	9/1/15	100.000	932703 CV1
9/1/23	260,000	4.600	9/1/15	100.000	932703 CW9
9/1/24	280,000	4.700	9/1/15	100.000	932703 CX7
9/1/25	300,000	4.800	9/1/15	100.000	932703 CY5
9/1/26	320,000	4.800	9/1/15	100.000	932703 CZ2
9/1/27	345,000	4.800	9/1/15	100.000	932703 DA6

2002B Bonds. A portion of the proceeds of the Bonds in an amount sufficient to redeem a portion of the 2002B Bonds in full on September 1, 2015, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date, will be deposited in an escrow fund (the "2002B Escrow Fund") under an escrow agreement, by and between the District and the Escrow Bank. See "THE BONDS—Estimated Sources and Uses of Funds." The moneys deposited in the 2002B Escrow Fund will be held in trust solely for the 2002B Bonds to be refunded and will not be available to pay principal of, or premium or interest on, the Bonds or any bonds other than the 2002B Bonds to be refunded.

The 2002B Bonds to be refunded as shown in the following table:

Maturity Date	Amount Redeemed	Interest Rate	Call Date	Call Price	CUSIP Number†
9/1/17	$ 330,000	4.500%	9/1/15	100.000	932712 JU7
9/1/19	365,000	4.500	9/1/15	100.000	932712 JW3
9/1/21	440,000	4.500	9/1/15	100.000	932712 JY9
9/1/22	295,000	4.500	9/1/15	100.000	932712 JZ6
9/1/24	635,000	4.500	9/1/15	100.000	932712 KB7
9/1/26	690,000	4.500	9/1/15	100.000	932712 KD3
9/1/29	1,065,000	4.500	9/1/15	100.000	932712 KG6

2002C Bonds. A portion of the proceeds of the Bonds in an amount sufficient to redeem a portion of the 2002C Bonds in full on September 1, 2015, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date, will be deposited in an escrow fund (the "2002C Escrow Fund") under an escrow agreement, by and between the District and the Escrow Bank. See "THE BONDS—Estimated Sources and Uses of Funds." The moneys deposited in the 2002C Escrow Fund will be held in trust solely for the 2002C Bonds to be refunded and will not be available to pay principal of, or premium or interest on, the Bonds or any bonds other than the 2002C Bonds to be refunded.

The 2002C Bonds to be refunded as shown in the following table:

Maturity Date	Amount Redeemed	Interest Rate	Call Date	Call Price	CUSIP Number†
9/1/16	$105,000	5.000%	9/1/15	100.000	932712 KR2
9/1/17	110,000	5.000	9/1/15	100.000	932712 KS0
9/1/18	125,000	5.000	9/1/15	100.000	932712 KT8
9/1/19	145,000	5.000	9/1/15	100.000	932712 KU5
9/1/20	150,000	4.000	9/1/15	100.000	932712 KV3
9/1/21	160,000	4.000	9/1/15	100.000	932712 KW1
9/1/22	200,000	4.100	9/1/15	100.000	932712 KX9
9/1/23	210,000	4.150	9/1/15	100.000	932712 KY7
9/1/24	220,000	4.200	9/1/15	100.000	932712 KZ4
9/1/25	265,000	4.200	9/1/15	100.000	932712 LA8
9/1/26	275,000	4.250	9/1/15	100.000	932712 LB6
9/1/27	290,000	4.250	9/1/15	100.000	932712 LC4
9/1/28	300,000	4.250	9/1/15	100.000	932712 LD2
9/1/29	315,000	4.250	9/1/15	100.000	932712 LE0
9/1/30	330,000	4.300	9/1/15	100.000	932712 LF7
9/1/31	345,000	4.300	9/1/15	100.000	932712 LG5

2007 Bonds. A portion of the proceeds of the Bonds in an amount sufficient to redeem a portion of the 2007 Bonds in full on September 1, 2015, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date, will be deposited in an escrow fund (the "2007 Escrow Fund") under an escrow agreement, by and between the District and the Escrow Bank. See "THE BONDS—Estimated Sources and Uses of Funds." The moneys deposited in the 2007 Escrow Fund will be held in trust solely for the 2007 Bonds to be refunded and will not be available to pay principal of, or premium or interest on, the Bonds or any bonds other than the 2007 Bonds to be refunded.

The 2007 Bonds to be refunded as shown in the following table:

Maturity Date	Amount Redeemed	Interest Rate	Call Date	Call Price	CUSIP Number†
9/1/16	$530,000	4.000%	9/1/15	100.000	932712 KR2
9/1/17	555,000	4.000	9/1/15	100.000	932712 KS0
9/1/18	575,000	4.000	9/1/15	100.000	932712 KT8
9/1/19	605,000	4.000	9/1/15	100.000	932712 KU5
9/1/20	630,000	4.000	9/1/15	100.000	932712 KV3
9/1/21	650,000	4.000	9/1/15	100.000	932712 KW1
9/1/22	680,000	4.000	9/1/15	100.000	932712 KX9
9/1/23	340,000	4.000	9/1/15	100.000	932712 KY7
9/1/24	355,000	4.000	9/1/15	100.000	932712 KZ4

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Fund") and used to pay costs associated with the issuance of the Bonds. Any proceeds of sale of the Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the

Bonds will be transferred by the Paying Agent to the County Treasurer-Tax Collector for deposit in the Interest and Sinking Fund maintained by the County Treasurer-Tax Collector for the District to be used only for payment of principal of and interest on the Bonds. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Bonds, will be invested on behalf of the District by the County Treasurer-Tax Collector pursuant to law and the investment policy of the County. See "COUNTY INVESTMENT POOL."

Debt Service Schedule

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

Period Ending September 1	Principal	Interest (1)	Total
2015	$ 180,000	$ 106,848.49	$ 286,848.49
2016	950,000	623,381.26	1,573,381.26
2017	1,000,000	575,881.26	1,575,881.26
2018	1,000,000	525,881.26	1,525,881.26
2019	1,000,000	475,881.26	1,475,881.26
2020	1,035,000	425,881.26	1,460,881.26
2021	1,130,000	374,131.26	1,504,131.26
2022	1,255,000	317,631.26	1,572,631.26
2023	1,010,000	254,881.26	1,264,881.26
2024	1,070,000	204,381.26	1,274,381.26
2025	835,000	150,881.26	985,881.26
2026	865,000	117,481.26	982,481.26
2027	905,000	82,881.26	987,881.26
2028	590,000	55,731.26	645,731.26
2029	605,000	38,031.26	643,031.26
2030	295,000	19,881.26	314,881.26
2031	305,000	10,293.76	315,293.76
TOTAL	$14,030,000	$4,359,961.15	$18,389,961.15

(1) Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing September 1, 2015.

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the District, the County and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds 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. See APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

THE DISTRICT

General Information

The Walnut Creek School District is responsible for meeting the educational needs of approximately 3,500 students enrolled in kindergarten through eighth grade. The District operates five K-5 neighborhood elementary schools and one 6-8 intermediate school. Grades K-5 are primarily self-contained, while the intermediate grades offer a mixture of core and elective classes.

Board of Trustees and Administration

The District is governed by a five-member District Board, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions.

BOARD OF EDUCATION

Name	Position	Expiration of Term
Elizabeth Bettis	President	2016
Katie Peña	Clerk	2016
Sherri McGoff	Board Member	2018
Aimee Moss	Board Member	2018
Barbara S. Pennington	Board Member	2018

Source: Walnut Creek School District

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. Patricia Wool, Ed.D. was appointed as Superintendent of the District in 2007. Dr. Wool has over 40 years experience in California schools, including serving 15 years as a superintendent.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's General Fund is not a source for the repayment of the Bonds.

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most State categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System." As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

The District received approximately 75% of its total general fund operating revenues from local property taxes in fiscal year 2013-14.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The County Treasurer-Tax Collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the Treasurer-Tax Collector, as ex officio treasurer of each school district located in the County, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Method of Property Taxation

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county clerk and county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general ad valorem property tax levy and the additional ad valorem levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

The table below shows the assessed valuation in the District for fiscal years 2009-10 to 2014-15.

HISTORIC ASSESSED VALUATIONS
Fiscal Years 2009-10 to 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2009-10	$ 9,643,981,463	—	$348,579,011	$ 9,992,560,474
2010-11	$ 9,576,749,305	—	$346,529,015	$ 9,923,278,320
2011-12	$ 9,368,953,120	—	$352,438,346	$ 9,721,391,466
2012-13	$ 9,363,190,235	—	$348,628,444	$ 9,711,818,679
2013-14	$10,122,576,573	—	$374,480,378	$10,497,056,951
2014-15	$10,979,257,592	—	$352,902,797	$11,332,160,389

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

The following table shows the 2014-15 assessed valuation of each jurisdiction within the boundaries of the District:

ASSESSED VALUATION BY JURISDICTION[1]
Fiscal Year 2014-15

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Walnut Creek	$ 8,069,845,745	71.21%	$14,204,321,931	56.81%
Unincorporated Contra Costa County	3,262,314,644	28.79	$32,855,368,294	9.93%
Total District	$11,332,160,389	100.00		
Contra Costa County	$11,332,160,389	100.00	$160,469,862,791	7.06

Source: California Municipal Statistics, Inc.
(1) Before deduction of redevelopment incremental valuation.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2014-15

	2014-15 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non Residential:				
Commercial/Office	$ 2,204,744,925	20.08%	654	3.65%
Vacant Commercial	45,830,814	.42	31	.17
Industrial	39,396,118	.36	5	.03
Recreational	52,920,218	.48	16	.09
Government/Social/Institutional	18,561,709	.17	532	2.97
Subtotal Non-Residential	$ 2,361,453,784	21.51%	1,238	6.91%
Residential:				
Single Family Residence	$ 4,397,544,423	40.05%	8,596	47.97%
Condominiums/Townhomes	2,652,131,594	24.16	7,360	41.08
Cooperatives[2]	541,343,307	4.93	68	.38
Residential, 2-4 Units	150,553,494	1.37	307	1.71
Residential 5+ units/Apartments	867,026,326	7.90	148	.83
Vacant Residential	9,204,664	.08	201	1.12
Subtotal Residential	$ 8,617,803,808	78.49%	16,680	93.09%
Total	$10,979,257,592	100.00%	17,918	100.00%

Source: California Municipal Statistics, Inc.
(1) Local secured assessed valuation; excluding tax-exempt property.
(2) The 68 cooperative parcels contain 3,368 residential units.

The following table shows the assessed valuations of single-family homes for the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2014-15

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	8,596	$4,397,544,423	$511,580	$476,467

2014-15 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	70	.814%	.814%	$ 2,526,475	.057%	.057%
$50,000 - $99,999	722	8.399	9.214	57,911,986	1.317	1.374
$100,000 - $149,999	589	6.852	16.066	72,135,455	1.640	3.015
$150,000 - $199,999	355	4.130	20.195	61,740,059	1.404	4.419
$200,000 - $249,999	369	4.293	24.488	83,205,119	1.892	6.311
$250,000 - $299,999	468	5.444	29.933	128,976,207	2.933	9.244
$300,000 - $349,999	456	5.305	35.237	147,717,237	3.359	12.603
$350,000 - $399,999	509	5.921	41.159	190,540,364	4.333	16.936
$400,000 - $449,999	514	5.980	47.138	218,405,612	4.967	21.902
$450,000 - $499,999	475	5.526	52.664	225,510,736	5.128	27.030
$500,000 - $549,999	487	5.665	58.329	255,024,745	5.799	32.830
$550,000 - $599,999	431	5.014	63.343	247,590,042	5.630	38.460
$600,000 - $649,999	418	4.863	68.206	261,003,089	5.935	44.395
$650,000 - $699,999	453	5.270	73.476	305,332,667	6.943	51.338
$700,000 - $749,999	391	4.549	78.025	283,197,800	6.440	57.778
$750,000 - $799,999	382	4.444	82.469	295,657,173	6.723	64.501
$800,000 - $849,999	322	3.746	86.215	265,141,802	6.029	70.531
$850,000 - $899,999	233	2.711	88.925	203,808,411	4.635	75.165
$900,000 - $949,999	182	2.117	91.042	168,026,529	3.821	78.986
$950,000 - $999,999	157	1.826	92.869	152,512,254	3.468	82.454
$1,000,000 and greater	613	7.131	100.000%	771,580,661	17.546	100.000%
	8,596	100.000%		$4,397,544,423	100.000%	

Source: California Municipal Statistics, Inc.
(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Tax Rates

The State Constitution permits the levy of an ad valorem tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special ad valorem property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area ("TRA") within the District from fiscal year 2010-11 to fiscal year 2014-15. TRA 9-000 comprises approximately 55% of the total assessed value of property in the District.

DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES
Fiscal Years 2010-11 to 2014-15

Total Tax Rates (TRA 13-000 – 2014-15 Assessed Valuation: $6,187,836,951)

	2010-11	2011-12	2012-13	2013-14	2014-15
General[1]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit District	.0031	.0041	.0043	.0075	.0045
East Bay Regional Park	.0084	.0071	.0051	.0078	.0085
Acalanes Union High School District	.0311	.0333	.0333	.0361	.0350
Walnut Creek School District	.0231	.0240	.0241	.0224	.0212
Contra Costa Community College	.0133	.0144	.0087	.0133	.0252
Total Tax Rates	1.0790%	1.0829%	1.0755%	1.0871%	1.0944%

Source: California Municipal Statistics, Inc.
(1) Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

The following table reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District for fiscal year 2008-09 to fiscal year 2013-14.

SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2008-09 to 2013-14

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2008-09	$2,502,969	$49,101	1.96%
2009-10	$1,587,617	$27,672	1.74%
2010-11	$2,193,656	$28,233	1.29%
2011-12	$2,224,843	$19,499	0.88%
2012-13	$2,225,478	$11,334	0.51%
2013-14	$2,249,532	$13,757	0.61%

Source: California Municipal Statistics, Inc.
(1) Bond debt service levy.

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The District is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2014-15, representing more than 16% of the District's total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total(1)
1.	First Walnut Creek Mutual	Cooperatives – Rossmoor	$ 297,154,118	2.71%
2.	Second Walnut Creek Mutual	Cooperatives – Rossmoor	225,764,133	2.06
3.	Macerich Northwest Associates	Shopping Center	134,065,115	1.22
4.	California Plaza LLC	Office Building	102,800,000	.94
5.	Legacy III Walnut Creek	Office Building	92,114,000	.84
6.	Rreef America REIT II Corp. UUU	Office Building	84,217,000	.77
7.	Property Calif. SCJLW One Corp.	Office Building	78,340,545	.71
8.	Escuela Shopping Centre LLC	Shopping Center	76,111,109	.69
9.	ASN Bay Landing LLC	Apartments	72,370,743	.66
10.	Calif. State Teachers Retirement System	Office Building	69,356,796	.63
11.	Tishman Speyer Archstone-Smith	Apartments	66,066,991	.60
12.	Metropolitan Life Insurance Co.	Office Building	64,738,072	.59
13.	Northwestern Mutual Life Insurance Co.	Office Building	56,908,580	.52
14.	PK II Walnut Creek	Movie Theater/Commercial	56,230,000	.51
15.	Growers Square Inc.	Office Building	53,014,933	.48
16.	Paragon Walnut Creek Apartments	Apartments	51,565,525	.47
17.	Tarigo Properties LLC	Apartments	49,237,354	.45
18.	Retreat Apartments 316 LLC	Apartments	49,198,981	.45
19.	Shirley N. Wilson, Trustee	Hotel	48,925,473	.45
20.	Robert and Rosemary Lucas, Trustees	Office Building	48,040,000	.44
	Total Top 20		$1,776,219,468	16.18%

Source: California Municipal Statistics, Inc.
(1) 2014-15 Local secured and utility assessed valuation: $10,979,257,592.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations 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 District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. 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 in the table names each public agency which has outstanding debt as of May 1, 2015, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of May 1, 2015

WALNUT CREEK SCHOOL DISTRICT

2014-15 Assessed Valuation: $11,332,160,389

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/15
Bay Area Rapid Transit District	2.021%	12,748,367
Contra Costa Community College District	7.090	32,320,474
Acalanes Union High School District	41.286	85,915,301
Walnut Creek School District	**100.000**	**27,293,207**(1)
East Bay Regional Park District	3.102	5,484,026
Pleasant Hill Recreation and Park District	4.632	1,235,123
California Statewide Community Development Authority Community Facilities District No. 2000-1	100.000	2,618,810
Contra Costa County Community Facilities District No. 1991-1	7.230	70,793
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		167,686,101
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	7.062%	19,372,712
Contra Costa County Pension Obligation Bonds	7.062	18,255,270
Contra Costa Community College District Certificates of Participation	7.090	49,630
City of Walnut Creek General Fund Obligations	56.813	249,977
Pleasant Hill Recreation and Park District Certificates of Participation	4.632	98,986
Contra Costa Fire Protection District Pension Obligation Bonds	15.303	14,201,949
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		52,228,524
Less: Contra Costa County Obligations supported by revenue funds		(7,678,938)
TOTAL NET OVERLAPPING GENERAL FUND DEBT		44,549,586
OVERLAPPING TAX INCREMENT DEBT:		24,345,903
GROSS COMBINED TOTAL DEBT		244,260,528(2)
NET COMBINED TOTAL DEBT		236,581,590

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($27,293,207) 0.24%
Total Direct and Overlapping Tax and Assessment Debt................. 1.48%
Gross Combined Total Debt.. 2.16%
Net Combined Total Debt... 2.09%

Ratios to Redevelopment Incremental Valuation ($795,457,324):
Total Overlapping Tax Increment Debt 3.06%

Source: California Municipal Statistics, Inc.
(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.

COUNTY INVESTMENT POOL

In accordance with Section 41001 of the California Education Code, 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-tax collector serves as ex officio treasurer for those school district located within the county. Each treasurer-tax collector has the authority to invest school district funds held in the county treasury. Generally, the treasurer-tax collector 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 treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 *et seq.* of the California Government Code. In addition, each treasurer-tax collector is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the Finance Director, Contra Costa County, 651 Pine Street, 10th floor, Matinez, California 94553, Telephone: (925) 335-1080. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of March 31, 2015, is included here in APPENDIX D—EXCERPTS FROM THE COUNTY INVESTMENT REPORT.

LEGAL OPINIONS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel for the District. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX E—FORMS OF OPINIONS OF BOND COUNSEL.

MUNICIPAL ADVISOR

Isom Advisors, A Division of Urban Futures, Incorporated, Walnut Creek, California, has served as financial advisor (the "Municipal Advisor") to the District in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Municipal Advisor are contingent upon the sale and delivery of the Bonds. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than March 31 after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2014-15 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX F—FORMS OF CONTINUING DISCLOSURE CERTIFICATES. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

In preparation for issuance of the Bonds, the District determined that, while it had filed all required Annual Reports and financial and operating data as required by its continuing disclosure undertakings during the last five years, it had failed, in certain instances, to file material event notifications relating to rating downgrades of the municipal bonds insurers rating certain of the District's outstanding bonds in a timely manner. All such material event notifications have been filed with the MSRB.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, 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.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or contesting the District's ability to issue and retire the Bonds.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the rating of "AA" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water Street, New York, NY 10041, (212) 208-8000. Generally, a rating agency bases its rating on the information and materials furnished to it 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 S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Bonds were awarded, following a competitive sale on June 11, 2015, to UBS Financial Services (the "Underwriter") at a true interest cost of 2.450005% (2.470365% after resizing). The purchase price to be paid by the Underwriter is $15,624,501.36 (equal to the principal amount of the Bonds of $14,030,000, plus a net original issue premium of $1,696,120.65, and less an Underwriter's discount of $101,619.29. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Bond Resolution, the Escrow Agreements, the Continuing Disclosure Certificate of the District and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District Board.

WALNUT CREEK SCHOOL DISTRICT

By /s/ Patricia Wool
Patricia Wool, Ed.D.
Superintendent

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APPENDIX A

THE ECONOMY OF THE DISTRICT

While the economics of the City and County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Introduction

The City. The City of Walnut Creek (the "City") was incorporated in 1914 and is located in Contra Costa County (the "County"), a growing region in the eastern portion of the San Francisco Bay Area. The City has a permanent staff of 348 City employees and serves approximately 66,900 residents in a land area of 19.45 square miles. The City continues to show strength as a major employer, a successful retail and entertainment hub, and a safe community with attractive residential neighborhoods.

The City is located at the intersection of Highways 680 and 24, approximately 25 miles east of San Francisco. The City has a range of housing types available to meet the needs of workers employed by various businesses and agencies throughout the region. Walnut Creek's large retail base serves local residents as well as those in surrounding communities.

The City operates utilizing the Council-Manager form of government. Five at-large Council Members are elected to staggered four-year terms to govern the City. The City Treasurer is also elected to a four-year term. The Mayor and Mayor Pro Tem are elected by the Council each year from their membership and serve one-year terms.

The County. Contra Costa County was incorporated in 1850 as one of the original 27 counties of the state. It is one of nine counties in the San Francisco-Oakland Bay Area. The County covers about 733 square miles: the western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial, and light industrial.

Contra Costa County's physical geography is dominated by the bayside alluvial plain, the Oakland Hills–Berkeley Hills, several inland valleys, and Mount Diablo, an isolated 3,849-foot (1,173 m) upthrust peak at the north end of the Diablo Range of hills.

The Hayward Fault Zone runs through the western portion of the county, from Kensington to Richmond. The Calaveras Fault runs in the south-central portion of the county, from Alamo to San Ramon. The Concord Fault runs through part of Concord and Pacheco, and the Clayton-Marsh Creek-Greenville Fault runs from Clayton at its north end to near Livermore.

The County has a general law form of government. A five member Board of Supervisors (Board), each elected to four-year terms, serves as the legislative body. A County Administrative Officer is appointed by the Board and runs the day-to-day business.

The County provides the full-range of services contemplated by statute. These services include public protection, highways and streets, sanitation, health and social services, planning and zoning, and general administrative services.

Population

The table below summarizes population of the City and the County.

CITY OF WALNUT CREEK and CONTRA COSTA COUNTY
Population

Year	City of Walnut Creek	Contra Costa County
2010	64,173	1,049,025
2011	64,710	1,056,306
2012	65,306	1,066,597
2013	65,780	1,076,429
2014	66,183	1,087,008

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark.

Employment

The following table summarizes the historical numbers of workers by industry in the County for the last five years:

CONTRA COSTA COUNTY
Labor Force and Industry Employment
Annual Averages by Industry

	2009	2010	2011	2012	2013(1)
Total, All Industries	326,600	317,200	318,100	326,600	336,100
Total Farm	800	700	800	800	1,000
Mining, Logging and Construction	21,200	18,300	17,800	19,700	21,600
Manufacturing	18,700	18,300	17,400	17,400	15,800
Wholesale Trade	7,700	7,600	7,900	8,200	8,600
Retail Trade	41,200	40,400	40,500	41,200	41,000
Transportation, Warehousing & Utilities	8,300	8,000	8,100	8,100	8,500
Information	10,400	9,600	9,000	8,400	8,500
Financial Activities	25,700	25,300	24,800	25,300	25,300
Professional & Business Services	45,900	43,800	45,900	48,000	51,300
Educational & Health Services	52,900	53,000	53,500	55,700	58,700
Leisure & Hospitality	31,200	31,300	32,300	33,500	35,700
Other Services	11,700	11,800	12,400	12,400	12,100
Government	51,300	49,200	47,800	47,900	48,100

Source: California Employment Development Department, based on March 2014 benchmark.
Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.
(1) Last available full year data.

The following tables summarize historical employment and unemployment for the County, the State of California and the United States:

CONTRA COSTA COUNTY, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)
2010-2014

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2010	Contra Costa County	523,800	465,500	58,300	11.1%
	California	18,336,300	16,091,900	2,244,300	12.2
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Contra Costa County	528,900	473,900	55,000	10.4%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Contra Costa County	535,700	487,800	48,000	9.0%
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Contra Costa County	538,900	499,100	39,800	7.4%
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014(2)	Contra Costa County	544,900	511,400	33,500	6.1%
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2

Source: California Employment Development Department, based on March 2014 benchmark and US Department of Labor.
(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.
(2) Latest available full-year data.

Major Employers

The table below sets forth the ten principal employers of the County in 2015.

CONTRA COSTA COUNTY
2015 Major Employers

Employer Name	Location	Industry
Aaa Northern Ca Nevada & Utah	Walnut Creek	Automobile Clubs
Bart	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc	Hercules	Physicians & Surgeons Equip & Supls-Mfrs
Chevron Corp	San Ramon	Oil Refiners (Mfrs)
Chevron Global Downstream Llc	San Ramon	Petroleum Products (Whls)
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Ctr	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Clinics
Doctors Medical Ctr	San Pablo	Hospitals
John Muir Clinical Lab	Walnut Creek	Laboratories-Medical
John Muir Medical Ctr	Walnut Creek	Hospitals
John Muir Medical Ctr	Concord	Health Services
Kaiser	Martinez	Clinics
Kaiser Permanente	Walnut Creek	Hospitals
Kaiser Permanente Antioch Med	Antioch	Hospitals
La Raza Market	Richmond	Grocers-Retail
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Oil Products	Martinez	Oil & Gas Producers
St Marys College	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Ctr	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Mfrs)
US Veterans Medical Ctr	Martinez	Outpatient Services
Va Outpatient Clinic	Martinez	Surgical Centers

Source: California Employment Development Department, Major Employers in Contra Costa County.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF WALNUT CREEK
Building Permits and Valuation
(Dollars in Thousands)

	2009	2010	2011	2012	2013
Permit Valuation:					
New Single-family	1,355	1,593	1,898	6,396	8,341
New Multi-family	1,363	-	10,700	27,552	18,472
Res. Alterations/Additions	17,238	15,721	16,585	11,299	19,486
Total Residential	19,956	17,315	29,184	45,248	46,299
Total Nonresidential	54,911	35,906	50,875	20,265	75,708
Total All Building	74,868	53,221	80,059	65,514	122,007
New Dwelling Units:					
Single Family	3	3	6	19	33
Multiple Family	6	-	52	317	125
Total	9	3	58	338	158

Source: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

CONTRA COSTA COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2009	2010	2011	2012	2013
Permit Valuation:					
New Single-family	300,363	237,458	211,417	340,255	469,376
New Multi-family	34,119	106,555	47,304	54,884	62,799
Res. Alterations/Additions	170,149	209,044	233,174	179,471	195,787
Total Residential	504,632	553,057	327,783	574,612	727,963
Total Nonresidential	314,301	285,417	254,902	214,602	1,122,050
Total All Building	818,933	838,475	582,685	789,214	1,850,013
New Dwelling Units:					
Single Family	1,038	809	718	1,188	1,585
Multiple Family	163	890	355	949	370
Total	1,201	1,699	1,073	2,137	1,950

Source: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the City and County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

CITY OF WALNUT CREEK
Taxable Sales, 2009-2013
(dollars in thousands)

	2009	2010	2011	2012	2013(2)
Retail and Food Services					
Motor Vehicles and Parts Dealers	314,053	338,393	360,819	431,887	477,236
Home Furnishings and Appliance Stores	68,435	68,998	75,180	76,209	82,266
Bldg. Matrl. and Garden Equip. and Supplies	49,625	35,819	34,128	35,921	40,506
Food and Beverage Stores	68,466	71,051	73,304	76,706	80,864
Gasoline Stations	86,693	101,667	124,382	125,785	127,014
Clothing and Clothing Accessories Stores	213,914	224,027	246,496	262,849	255,108
General Merchandise Stores	139,981	137,824	139,518	166,320	170,026
Food Services and Drinking Places	173,179	176,576	188,492	207,756	222,554
Other Retail Group	117,444	117,173	126,689	131,208	132,096
Total Retail and Food Services	1,231,789	1,271,526	1,369,007	1,514,640	1,547,670
All Other Outlets	235,363	237,290	237,988	248,166	262,484
Total All Outlets	1,467,152	1,508,815	1,606,995	1,762,807	1,850,153

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Totals may not add up due to independent rounding.
(2) Last available full year data.

CONTRA COSTA COUNTY
Taxable Sales, 2009-2013
(dollars in thousands)

	2009	2010	2011	2012	2013(2)
Retail and Food Services					
Motor Vehicles and Parts Dealers	1,184,803	1,234,844	1,372,234	1,650,526	1,823,019
Furniture and Home Furnishings Stores	225,331	227,432	240,863	260,102	277,477
Electronics and Appliance Stores	385,742	356,124	357,941	371,588	371,275
Bldg Mtrl. and Garden Equip. and Supplies	711,475	718,405	739,836	791,073	879,211
Food and Beverage Stores	657,337	673,326	692,641	725,277	748,131
Health and Personal Care Stores	264,279	264,011	277,662	293,030	303,182
Gasoline Stations	1,151,058	1,312,703	1,522,725	1,587,047	1,623,539
Clothing and Clothing Accessories Stores	642,813	663,243	702,573	773,210	825,235
Sporting Goods, Hobby, Book and Music Stores	314,924	304,491	303,397	302,051	312,720
General Merchandise Stores	1,380,111	1,406,756	1,443,317	1,505,629	1,525,347
Miscellaneous Store Retailers	397,297	382,048	396,831	420,581	427,955
Nonstore Retailers	47,224	46,613	50,078	87,720	180,980
Food Services and Drinking Places	1,111,182	1,126,398	1,200,318	1,294,601	1,378,947
Total Retail and Food Services	8,473,578	8,716,393	9,300,418	10,062,437	10,677,018
All Other Outlets	3,409,471	3,237,454	3,499,439	3,934,812	3,794,970
Totals All Outlets(1)	11,883,049	11,953,846	12,799,857	13,997,249	14,471,988

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Totals may not add up due to independent rounding.
(2) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2010 through 2014.

CITY OF WALNUT CREEK, CONTRA COSTA COUNTY, CALIFORNIA and UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	City of Walnut Creek	2,399,955	60,308
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Walnut Creek	2,421,418	59,058
	Contra Costa County	30,416,350	60,777
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Walnut Creek	2,933,195	63,666
	Contra Costa County	33,604,875	61,167
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Walnut Creek	2,815,805	65,704
	Contra Costa County	32,061,585	61,731
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Walnut Creek	2,929,493	67,049
	Contra Costa County	33,833,478	64,090
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: Nielsen Claritas, Inc.

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APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.

Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the State Legislature (the "Legislature") to school districts. Commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaces the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The Governor refers to the new funding formulas as the "Local Control Funding Formula" ("Local Control Funding Formula" or "LCFF"). The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – 2014-15 State Budget" below.

Under the prior system, California Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's student enrollment measured in units of average daily attendance ("ADA"). The base revenue limit is calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was determined as the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution ultimately, a school district whose local property tax revenues exceed was base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which was deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such school districts were known as "basic aid districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts."

The 2013-14 State Budget implemented the new Local Control Funding Formula school funding allocation system. The Local Control Funding Formula replaced revenue limit and most categorical program funding.

The Local Control Funding Formula is also based on enrollment. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

Average Daily Attendance

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to Fiscal Year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in Fiscal Year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After Fiscal Year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District's enrollment, ADA and revenue limit revenues under the historical funding program and for 2013-14 and estimated 2014-15 revenues under the Local Control Funding Formula.

AVERAGE DAILY ATTENDANCE,
REVENUE LIMIT AND ENROLLMENT
Fiscal Years 2008-09 to 2014-15

Fiscal Year	Average Daily Attendance[1]	Revenue Limit/LCFF Revenues[2]	Enrollment[3]
2008-09	3,167	17,209,111	3,236
2009-10	3,195	17,311,758	3,309
2010-11	3,345	17,060,214	3,453
2011-12	3,412	17,375,667	3,530
2012-13	3,432	17,198,067	3,543
2013-14	3,459	20,826,655	3,557
2014-15	3,487	22,875,176	3,608

Source: Walnut Creek School District

(1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.

(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09, and discontinued following the implementation of the LCFF.

(3) Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.

District Budget

The District is required by the 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. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. 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, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meets its financial obligations for the current fiscal year or two subsequent fiscal years.

The District's Second Interim Report for fiscal year 2014-15, adopted March 16, 2015, was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 and 2014-15.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 and 2014-15
(Estimated Actuals)

Fiscal Year	Average Daily Attendance K-3	4-6	7-8	9-12	Total District ADA	Total District Enrollment[(2)]	% of EL/LI Enrollment[(3)]
2013-14	1,492	1,202	766	-	3,459	3,557	17.09%
2014-15	1,507	1,219	761	-	3,487	3,608	18.80%

Source: Walnut Creek School District
(1) Reflects P-2 ADA.
(2) Reflects CBEDS enrollment.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 960 Ygnacio Valley Road, Walnut Creek, California 94597, telephone number (510) 644-4500. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

GENERAL FUND
AUDITED ACTUALS AND PROJECTED 2014-15 TOTALS
Fiscal Years 2010-11 to 2014-15

	Fiscal Year				
	2010-11 Audited	2011-12 Audited	2012-13 Audited	2013-14[1] Audited	2014-15[1][2] Projected
REVENUES					
Revenue Limit Sources/LCFF[1]	17,060,215	17,250,995	17,798,068	20,826,655	22,901,060
Federal Sources	1,966,183	1,212,228	1,080,332	917,041	1,023,296
Other State Sources	2,822,594	3,558,120	4,083,995	2,517,706	1,240,866
Other Local Sources	4,115,447	4,152,562	4,325,427	4,454,746	4,530,334
Total Revenues	25,994,439	26,173,905	27,287,822	28,716,148	29,695,557
EXPENDITURES					
Certificated Salaries	13,538,538	14,062,963	14,903,295	15,855,807	15,774,944
Classified Salaries	3,751,650	3,797,317	3,895,293	4,256,082	4,200,701
Employee Benefits	3,825,677	4,651,284	4,554,123	4,967,294	4,332,344
Books and Supplies	1,007,981	931,887	993,019	826,980	1,221,694
Contract Services and Op. Ex.	2,799,465	3,081,472	3,242,835	3,586,388	4,129,710
Capital Outlay	93,670	199,853	82,505	182,432	191,236
Other Outgo	195,689	72,027	183,825	61,525	-
Debt Service – Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total Expenditures	25,212,670	26,796,803	27,854,895	29,736,508	29,850,630
Excess (Deficiency) of Revenues over Expenditures	781,769	(622,898)	(567,073)	(1,020,360)	(155,072)
OTHER FINANCING SOURCES					
Operating transfers in	-	133,897	29,145	133,288	47,275
Operating transfers out	-	-	(109,145)	(53,288)	-
Other sources	-	-	-	-	-
Total financing sources (uses)	-	133,897	(80,000)	80,000	47,275
Net change in fund balances	781,769	(489,001)	(647,073)	(940,360)	(107,797)
Fund Balance, July 1	7,154,767	7,936,535	9,558,435[3]	8,911,362	5,927,136
Fund Balance, June 30	7,936,536	7,447,534	8,911,362	7,971,002	5,819,339

Source: Walnut Creek School District 2010-2014 audited financial statements.
(1) Beginning in FY2013-14 the Local Control Funding Formula (LCFF) has replaced the prior revenue limit system of funding.
(2) FY2014-15 Projected Year Totals from the District's 2nd Interim Report, Adopted March 16, 2015.
(3) Reflects an increase of $2,009,757 to comply with GASB Statement No. 54.

Summary of District Revenues and Expenditures

See "District Budget" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2014, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2014-15, the District has budgeted an unrestricted general fund reserve of 26%, or approximately $7.8 million. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See "COUNTY INVESTMENT POOL."

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the District's share of the 1% local ad valorem tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for Fiscal Year 2013-14 (the "2013-14 State Budget"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district student demographic. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in fiscal year 2013-14 an annual transition adjustment is to be calculated for each individual school district, equal to such district's proportionate share of appropriations included in the State Budget. The Governor's Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of ADA (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.
- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."
- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.

Of the more than $25 billion in funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was $7,643, which was an increase of $2,375 from the prior year's average revenue limit. Base grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% cost of living adjustment in Fiscal Years 2014-15 through 2020-21, and restoration of categorical funding to pre- recession levels. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with categorical block grant add-ons, will yield a school district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

The new legislation includes a "hold harmless" provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its Fiscal Year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors ("unduplicated" count) is shown below:

CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION
LOCAL CONTROL TARGET FUNDING FORMULA 2014-15

Grade Levels	Base Grants	Grade Span Adjustments	Supplemental Grant	Concentration Grant	Total per ADA
TK-3	$ 7,011	$ 729	$ 1,424	$ 1,432	$ 10,596
4-6	7,116	-	1,309	1,317	9,742
7-8	7,328	-	1,348	1,356	10,032
9-12	8,491	221	1,603	1,612	11,927

Source: California Department of Education

Beginning July 1, 2015, school districts are required to develop a three-year Local Control and Accountability Plan (each, a "LCAP"). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to school districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Federal Sources. The federal government provides funding for several school district programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

Other State Sources. In addition to LCFF revenues, the District receives substantial other State revenues. The LCFF replaced most of the State categorical program funding that existed prior to Fiscal Year 2013-14. Categorical funding for certain programs was excluded from the LCFF, and school districts continue to receive restricted State revenues to fund these programs.

These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, Class Size Reduction Program, Tier 3 Funding and home-to-school transportation.

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

Other Local Sources. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

Labor Relations. Currently the District employs 172.8 full-time equivalent (FTE) certificated employees, 91.4 FTE classified employees, 13.6 management employees and 3 confidential employees. There are two formal bargain units operating in the District which are described in the table below. The parties are currently operating under the terms of the prior contracts.

LABOR ORGANIZATIONS

Labor Organization	Contract Expiration
Walnut Creek Teachers Association	June 30, 2016
California School Employees Assocation, Ch. 202	June 30, 2016

Source: Walnut Creek School District

Retirement Programs

Information set forth below regarding the District's retirement programs has been obtained from the District's most recent audited financial statements, included here as APPENDIX C. The information regarding the District's retirement programs are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be constructed as a representation by either the District or the Underwriter.

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

California Public Employees' Retirement System (CalPERS)

Plan Description. The District contributes to the School Employer Pool under the 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 survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, California 95811.

Funding Policy. As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were $402,546, $385,807, and $349,645, respectively, and equal 100 percent of the required contributions for each year.

State Teachers' Retirement System (CalSTRS)

Plan Description. The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy. Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30,2014, 2013, and 2012, were $1,335,670, $1,225,166, and $1,115,190 respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments. The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $ 748,999 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 13.

Postemployment Benefits Other Than Pension Benefits

Plan Description. The District provides retiree health benefits, based on age, service, and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The District had 272 active employees and 13 retired employees covered by the OPEB plan as of June 30, 2014. The OPEB benefits are administered by the District. No separate financial statements are issued.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District and the various bargaining units. For fiscal year 2013-2014, the District contributed $54,925 to the plan, all of which was used for current premiums.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset/obligation to the Plan:

OPEB OBLIGATIONS
Fiscal Year 2013-14

Annual required contribution	258,685
Interest on net OPEB obligation	41,042
Adjustment to annual required contribution	(27,362)
Annual OPEB cost (expense)	272,365
Contributions made	(54,925)
Increase in net OPEB obligation	217,440
Net OPEB obligation, beginning of the year	820,830
Net OPEB obligation, end of the year	1,038,270

Source: Walnut Creek School District 2014 Annual Report

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

HISTORICAL OPEB OBLIGATIONS
Fiscal Years 2011-12 to 2013-14

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014-13	272,365	54,925	1,038,270
2013-12	261,384	48,393	820,830
2012-11	255,306	40,522	607,839

Source: Walnut Creek School District 2014 Annual Report

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 11.

District Debt Structure

Short Term Bonds. The District has no short term debt outstanding.

No Long-Term Lease Obligations. The District has no outstanding long-term certificates of participation or other lease obligations.

General Obligation Bonds. The following table shows all of the District's outstanding general obligation bonds.

ISSUED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of June 1, 2015

Issue Date	Series	Final Maturity	Amount of Original Issue	Outstanding as of June 1, 2015
3/12/2003	Election of 2002, Series A (1)	2027	$ 7,000,000	$ 3,020,000
3/31/2005	Election of 2002, Series B (1)	2029	5,000,000	3,970,000
4/4/2007	Election of 2002, Series C (1)	2032	4,000,000	3,645,000
4/4/2007	2007 General Obligation Refunding Bonds (1)	2024	8,625,000	5,430,000
5/25/2010	Election of 2002, Series D (CIBs)	2025	2,035,000	2,035,000
5/25/2010	Election of 2002, Series E (CABs)	2023	1,964,628	1,938,205
8/28/2012	2012 General Obligation Refunding Bonds	2027	8,420,000	7,255,000
Total			$37,044,628	$27,293,205.

(1) A portion of the bonds of this issue will be refunded from the proceeds of the Bonds.

The following table shows the District's debt service obligations with respect to its outstanding general obligation bonds, assuming no optional redemption.

DEBT SERVICE OBLIGATIONS ON
OUTSTANDING GENERAL OBLIGATION BONDS
As of June 1, 2015

Period Ending (9/1)	Election of 2002 Series A	Election of 2002 Series B	Election of 2002 Series C	2007 Refunding Bonds	Election of 2002 Series D	Election of 2002 Series E	2007 Refunding Bonds	Total
2015	$ 283,225.00	$ 328,650.00	$ 258,860.00	$ 727,643.76	$ 84,935.00	$ 50,000.00	$ 959,731.26	$ 2,693,045.02
2016	287,425.00	331,900.00	258,110.00	727,243.76	84,935.00	65,000.00	1,018,431.26	2,773,045.02
2017	291,070.00	334,700.00	257,860.00	731,043.76	84,935.00	120,000.00	1,029,731.26	2,849,340.02
2018	299,140.00	337,050.00	267,360.00	728,843.76	84,935.00	130,000.00	1,082,356.26	2,929,685.02
2019	306,400.00	333,950.00	281,110.00	735,843.76	84,935.00	160,000.00	1,111,756.26	3,013,995.02
2020	312,820.00	335,625.00	278,860.00	736,643.76	84,935.00	140,000.00	1,218,106.26	3,106,990.02
2021	318,370.00	376,850.00	282,860.00	731,443.76	84,935.00	215,000.00	1,183,606.26	3,193,065.02
2022	323,020.00	415,825.00	316,460.00	735,443.76	84,935.00	1,160,000.00	148,106.26	3,183,790.02
2023	331,980.00	417,550.00	318,260.00	368,243.76	84,935.00	1,560,000.00	150,506.26	3,231,475.02
2024	339,760.00	418,600.00	319,545.00	369,643.76	1,119,935.00	—	157,806.26	2,725,290.02
2025	346,320.00	418,975.00	355,305.00	—	1,042,500.00	—	159,906.26	2,323,006.26
2026	351,920.00	413,675.00	354,175.00	—	—	—	166,906.26	1,286,676.26
2027	361,560.00	402,925.00	357,487.50	—	—	—	168,506.26	1,290,478.76
2028	—	381,950.00	355,162.50	—	—	—	—	737,112.50
2029	—	376,200.00	357,412.50	—	—	—	—	733,612.50
2030	—	—	359,025.00	—	—	—	—	359,025.00
2031	—	—	359,835.00	—	—	—	—	359,835.00
Total	$4,153,010.00	$5,624,425.00	$5,337,687.50	$6,592,037.60	$2,926,850.00	$3,600,000.00	$8,555,456.38	$36,789,466.48

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—Security.") Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 98, 111, 218 and 39, 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 County to levy taxes and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

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

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

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

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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, if any, claims on tax increment and subject to changes in organizations, 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.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, 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 and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB 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.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB 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.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain 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 XIIIB 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 subsequent fiscal years.

Article XIIIB also includes a requirement that 50% 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 will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2014-15, the District budgets to receive $583,701 in State Lottery aid, representing approximately 2% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students. There are presently no charter schools within the District.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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 XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of

State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. 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 State general fund revenue growth exceeds personal income growth.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for joint filers).

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26 and 98 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 the District's revenues or their ability to expend revenues.

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Because the District's legal minimum funding level is expected to be met from local property taxes alone, the District does not project receipt of any general operating funds from the State in fiscal year 2013-14. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect District operations, though generally to a lesser extent than these may affect most school districts.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2014-15 Budget on June 20, 2014.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

• The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

• The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

• The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

• The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2014-15 State Budget

On June 20, 2015, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget.

The 2014-15 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of $102.2 billion, and total State general fund expenditures of $100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a $2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of $109.4 billion and total State general fund expenditures of $108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately $2.1 billion. This projected reserve is a combination of $449 million in the State's general fund traditional reserve, and an authorized deposit of $1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The 2014-15 Budget includes total funding of $76.6 billion (comprised of $45.3 billion from the State general fund and $31.3 billion from other funds) for all K-12 education programs. For fiscal year 2014-15, the Proposition 98 minimum funding guarantee is set at $60.9 billion, an increase of $5.6 billion over the amount included in the fiscal year 2013-14 State budget. When combined with increases of $4.4 billion in fiscal years 2012-13 and 2013-14, the 2014-15 Budget provides a $10 billion increased investment in K-14 education. The 2014-15 Budget projects that Proposition 98 funding for K-12 education will grow by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Significant features of the 2014-15 Budget related to the funding of K-12 education include the following:

- *Teacher Pensions* – The 2014-15 Budget includes a plan of shared responsibility among the State, school districts and community college districts, and teachers to eliminate the approximately $74.4 billion of unfunded CalSTRS liability in approximately 30 years. For fiscal year 2014-15, the plan directs $276 million in additional contributions from all three entities. Under the plan, (i) teacher contributions will increase from 8% to a total of 10.25% of pay, phased in over the next three years; (ii) school district and community college district contributions will increase from 8.25% to 19.1% of payroll, phased in over the next seven years; and (iii) the State contributions will increase from approximately 3% to 6.3% of payroll, phased in over the next three years, and the State will continue to pay 2.5% of payroll annually for a supplemental inflation protection program, for a total contribution of 8.8% of payroll in fiscal year 2016-17 and ongoing. The plan also provides the CalSTRS board with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary.

- *Local Control Funding Formula* – An increase of $4.75 billion in Proposition 98 funding to continue the transition to the LCFF. This increase is projected to close the remaining funding implementation gap between fiscal year 2013-14 funding levels and the LCFF target funding levels by more than 29%. The 2014-15 Budget also addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced price meals. See also "DISTRICT FINANCIAL INFORMATION – Summary of District Revenues and Expenditures – Local Control Funding Formula" herein.

- *K-12 Deferrals* – Repay nearly $4.7 billion in Proposition 98 funding for K-12 expenses that had been deferred from one year to the next during the recession, leaving an outstanding balance of less than $900 million in K-12 deferrals at the end of fiscal year 2014-15. The 2014-15 Budget also includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 Budget in order to retire the remaining deferral balance.

- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- *K-12 Mandates* – An increase of $400.5 million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.

- *K-12 High- Speed Internet Access* – An increase of $26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.

- *Career Technical Education Pathways Program* – An increase of $250 million in one-time Proposition 98 funding to support competitive grants for participating K-14 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

- *Potential Cap on School District Reserves* – Commencing with budgets adopted by a K-12 school district for the 2015–16 fiscal year, AB 1463, a trailer bill on K-12 issues passed in connection with the 2014-15 Budget, requires a school district that proposes to adopt or revise a budget that results in a combined assigned or unassigned ending fund balance exceeding that school district's respective minimum reserve for economic uncertainties amount, as set forth in the State Board of Education's annually-issued criteria and standards for reviewing school district interim reports, to provide at a public hearing, among other things, a statement of reasons that substantiates the need for the balance, and requires the respective county superintendent of schools, when making the required determinations, to also determine whether a school district's adopted or revised budget includes a such a balance. Due to the passage of California Proposition 2 (the "Rainy Day Budget Stabilization Fund Act") on the November 4, 2014 statewide ballot, AB 1463 provides that, in any fiscal year immediately after which a transfer is made by the State into the Public School System Stabilization Account, a new reserve fund for Proposition 98 that is created by the Rainy Day Budget Stabilization Fund Act, a school district's adopted or revised budget shall be prohibited from containing a combined assigned or unassigned ending fund balance that is in excess of either two or three times that school district's respective annual minimum recommended reserve for economic uncertainties amount, as established by the State Board of Education. AB 1463 further authorizes the respective county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to two consecutive fiscal years within a three-year period, if a school district provides documentation indicating that extraordinary fiscal circumstances substantiates the need for the balance.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

2015-16 Proposed State Budget

On January 9, 2015, the Governor released his proposed State budget for Fiscal Year 2015-16 (the "2015-16 Proposed Budget"). The 2015-16 Proposed Budget proposed $65.7 billion with respect to the Proposition 98 minimum funding guarantee for Fiscal Year 2013-14. For Fiscal Year 2014-15, the Proposition 98 minimum funding guarantee was proposed to be revised to $63.2 billion, an increase of $18.4 billion in four years from the low of $47.3 billion in Fiscal Year 2011-12 and an increase of $2.3 billion over the Fiscal Year 2014-15 Budget Act amount of $60.9 billion for Proposition 98 guarantee levels. The Proposed Budget allocates an increase of more than $2,600 per student in Fiscal Year 2015-16 over 2011-12 levels for K-12 education. The 2015-16 Proposed Budget utilizes the funding to implement the LCFF in advance of earlier estimates. The 2015-16 Proposed Budget sets the minimum funding guarantee for Fiscal Year 2015-16, at $65.7 billion. Ongoing Proposition 98 per-pupil expenditures are projected to be $9,667, and total per-pupil expenditures from all sources are projected to be $13,462.

The 2015-16 Proposed Budget notes that the historical statewide general obligation bond program for construction and renovation of public school classrooms (the "current School Facilities Program") has no bond authority remaining in the State's core school facilities new construction and modernization programs and that there are a number of shortcomings with the current School Facilities Program. Rather than support a bond measure for the current School Facilities Program, the 2015-16 Proposed Budget proposes a number of recommendations for the design of a new program in place of the current School Facilities Program, including (i) increasing tools for local control by expanding assessed value caps for specific local bond measures conducted under Proposition 39, restructuring developer fees for school facilities, and expanding allowable uses of routine restricted maintenance funding, (ii) targeting state funding of school facilities in a way that (a) limits eligibility to school districts with low per-student assessed values, (b) prioritizes funding for health and safety and severe overcrowding projects, and (c) establishes a sliding scale to determine the State share of project costs based on local capacity to finance projects, and (iii) augmenting charter school facility grant program to fund charter schools either serving or located in attendance areas where at least 55 percent of the students qualify for free or reduced-price meals.

The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2015-16 Proposed State Budget entitled "The 2015-16 Budget: Overview of the Governor's Budget" on January 13, 2015 (the "2015-16 Proposed Budget Overview"). In the 2015-16 Proposed Budget Overview, the LAO acknowledges that the Governor's budgeting philosophy continues to be a prudent one for the most part. The LAO noted that in the near term, the Governor's reluctance to propose significant new program commitments outside of Proposition 98 could help avoid a return to the boom and bust budgeting of the past. The LAO also noted that while the budget is on track to enter the next downturn and is healthier than it was a decade ago, the State's finances remain vulnerable to the sudden tax revenue declines that will inevitably return with little warning. The array of complex budget formulas – especially those of Propositions 98 and 2 – complicate budget planning and could exacerbate this vulnerability in some scenarios. *The 2015-16 Proposed Budget Overview is available from the LAO at www.lao.ca.gov but such information is not incorporated herein by reference.*

2015-16 Proposed State Budget—May Revision

On May 14, 2015, the Governor released his May Revision (the "May Revision") to the 2015-16 Proposed Budget. On May 18, 2015, the LAO released separate analyses and overviews of the provisions of the May Revision (the "LAO Analysis"), including as they relate to Proposition 98 and funding for schools. The following information is drawn from the May Revision and the LAO Analysis.

The May Revision continues to project expansion of the California economy, yet cautions that cyclical contractions tend to occur on average every 5 years. In particular, the May Revision notes that the current expansion has exceeded the average by a year, indicating that the cycle may be shorter than average. The May Revision prioritizes fiscal restraint through addressing long-term debts and conservative funding of additional programs, while looking forward to preparing the state for the next economic downturn by funding the State's reserve.

The May Revision includes total funding of $83 billion ($49.7 billion General Fund and $33.3 billion other funds) for all K-12 education programs. The May Revision estimates an additional $6.1 billion in revenues above the 2015-16 Proposed Budget, $5.5 billion of which will go to K-12 and community colleges under Proposition 98. This increases the Proposition 98 minimum guarantee by $241 million in 2013-14, $3.1 billion in 2014-15, and $2.7 billion in 2015-16, for revised minimum guarantee levels of $58.9 billion, $66.3 billion, and $68.4 billion, respectively. The LAO Analysis estimates the 2015-16 minimum guarantee levels higher than the May Revision, at $69.1 billion, due to higher General Fund revenue estimates. The Proposition 98 maintenance factor is reduced to $722 million under the May Revision, and entirely eliminated under the LAO Analysis. The changes in estimates are driven primarily by State General Fund revenue estimates.

The May Revision dedicates an additional $2.8 billion to Proposition 98 mandates backlog ($2.5 billion of which is for K-12, aggregating to $3.6 billion), and an additional $2.1 billion ($6.2 billion total) for implementation of the LCFF. The May Revision also provides $64 million for seven special education programs borne out of a recently completed special education task force report. Finally, the May Revision provides community colleges with $638 million in increases, $142 million of which is unallocated, and the remainder of which is allocated to hiring faculty, additional enrollment growth, building maintenance, instructional equipment, and improving basic skills instruction.

The May Revision does not include any additional information on the Governor's policy recommendations for facilities as outlined in the 2015-16 Proposed Budget, nor does it include a new state school bond or another mechanism to fund a state program. The May Revision does, however, decrease the Office of Public School Construction staff by 37 positions, a reduction worth $4.47 million, indicating a lack of support for a state school bond.

Significant revisions made to the 2015-16 Proposed Budget relating to K-12 education include the following:

- *Career Technical Education*. The Governor's 2015-16 Proposed Budget allocated $250 million in one-time Proposition 98 funding in each of the next three years to support a transitional Career Technical Education ("CTE") Incentive Grant Program. The May Revision proposes an additional $150 million in 2015-16, for a total of $400 million, an additional $50 million in 2016-17, for a total of $300 million, and a reduction of $50 million in 2017-18, for a total of $200 million. Other CTE-related adjustments in the May Revision include increasing the minimum local-to-state funding match requirement to 1.5:1 in 2016-17 and 2:1 in 2017-18; eliminating the Career Pathways Trust from the list of allowable sources of local matching funds; and giving funding priority to applicants administering programs located in rural districts or regions with high student dropout rates.

- *Quality Education Investment Act Transition Funding*. The May Revision proposes an increase of $4.6 million one-time Proposition 98 General Fund to provide half of the final apportionment of Quality Education Investment Act funding to selected school districts in 2015-16 that do not qualify for concentration grant funding under the LCFF.

- *Local Property Tax Adjustments*. The May Revision proposes a decrease of $123.3 million and $224 million Proposition 98 General Fund in 2014-15 and 2015-16, respectively, for school districts, special education local plan areas, and county offices of education, each as a result of higher offsetting property tax revenues in such fiscal year.

- *Average Daily Attendance*. The May Revision proposes an increase of $94.4 million in 2014-15 and an increase of $173.5 million in 2015-16 for school districts, charter schools, and county offices of education under the LCFF as a result of an increase in 2013-14 ADA, which drives projections of ADA in both 2014-15 and 2015-16.

- *Proposition 39*. For 2013-14 through 2017-18, Proposition 39 requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency projects. The May Revision decreases the amount of energy efficiency funds available to K-12 schools in 2015-16 by $6.7 million, to $313.4 million, to reflect reduced revenue estimates.

- *Categorical Program Growth*. The May Revision proposes a decrease of $18.4 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of projected ADA growth.

- *Cost-of-Living Adjustments*. The May Revision proposes a decrease of $22.1 million Proposition 98 General Fund to selected categorical programs for 2015-16 to reflect a change in the cost-of-living factor from 1.58 percent at the 2015- 16 Proposed Budget to 1.02 percent at the May Revision.

- *K-12 Mandated Programs Block Grant*. The May Revision proposes an increase of $1.2 million Proposition 98 General Fund to reflect greater school district participation in the mandates block grant. The additional funding is required to maintain statutory block grant funding rates assuming 100% program participation.

For additional information regarding the May Revision, see the Department of Finance website at dof.ca.gov. The District can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference. The final fiscal year 2015-16 State budget, which will require approval by a majority vote of each house of the State legislature, may differ substantially from the May Revision. Accordingly, the District cannot predict the impact that the final fiscal year 2015-16 State budget, or subsequent State budgets, will have on its finances and operations

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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WALNUT CREEK SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT JUNE 30, 2014

WALNUT CREEK SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2014

FINANCIAL SECTION

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Creek School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Creek School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as *management's discussion and analysis and budgetary comparison information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014, on our consideration of the Walnut Creek School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walnut Creek School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
November 19, 2014

This section of Walnut Creek School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for two of the three categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Walnut Creek School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $11.2 million for the fiscal year ended June 30, 2014. Of this amount, $6.3 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2014	2013
Assets		
Deposits and investments	$ 9,574,255	$ 9,092,855
Receivables	2,013,241	3,475,702
Stores inventories	24,796	27,865
Deferred charges	-	602,991
Capital assets, net	32,461,330	33,645,871
Total Assets	**44,073,622**	**46,845,284**
Liabilities		
Current liabilities	2,469,751	2,627,424
Long-term obligations	30,373,541	31,471,385
Total Liabilities	**32,843,292**	**34,098,809**
Net Position		
Invested in capital assets, net of related debt	2,043,073	2,183,843
Restricted	2,839,510	2,798,730
Unrestricted	6,347,747	7,763,902
Total Net Position	**$ 11,230,330**	**$ 12,746,475**

The $6.3 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased significantly by 19.3 percent ($6.3 million compared to $7.8 million).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		
	2014	2013	Variance
Revenues			
Program revenues:			
Charges for services	$ 504,651	$ 546,213	$ (41,562)
Operating grants and contributions	3,881,744	3,416,542	465,202
General revenues:			
Taxes levied	20,900,869	19,150,284	1,750,585
Federal and State aid not restricted	4,421,950	5,227,195	(805,245)
Interest and investment earnings	35,310	3,915	31,395
Other general revenues (Miscellaneous)	3,037,945	2,856,782	181,163
Total Revenues	**32,782,469**	**31,200,931**	1,581,538
Expenses			
Instruction-related	25,525,227	24,131,985	1,393,242
Student support services	2,499,704	2,251,796	247,908
Administration	1,565,687	1,571,258	(5,571)
Plant services	2,876,063	5,277,226	(2,401,163)
Ancillary services	11,795	1,060	10,735
Interest on long-term debt	1,155,622	1,267,275	(111,653)
Other outgo	61,525	229,209	(167,684)
Total Expenses	**33,695,623**	**34,729,809**	**(1,034,186)**
Change in Net Position	**$ (913,154)**	**$ (3,528,878)**	**$ 2,615,724**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $33.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $20.9 million because the cost was paid by those who benefited from the programs ($.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($3.9 million). We paid for the remaining "public benefit" portion of our governmental activities with $4.4 million in Federal and State aid, and with other revenues, like interest and general entitlements of $3.1 million.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, special instruction programs, other instructional programs, plant services, student transportation services, and school food services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	$ 21,820,793	$ 20,429,525	$ 19,695,251	$ 18,291,832
Instruction related services	3,704,434	3,702,460	2,859,226	3,304,026
Student support services	2,499,704	2,251,796	1,277,980	1,049,390
General administration	1,565,687	1,571,258	1,565,687	1,505,319
Plant services	2,876,063	5,277,226	2,742,298	5,273,864
Ancillary services	11,795	1,060	11,795	1,060
Interest on long-term debt	1,155,622	1,267,275	1,155,622	1,267,275
Other outgo	61,525	229,209	1,369	74,288
Total	**33,695,623**	**34,729,809**	**$ 29,309,228**	**$ 30,767,054**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $10.8 million, which is a decrease of $0.9 million from last year.

	Balances and Activity			
	Fund Balances July 01, 2013	Revenues	Expenditures	Fund Balances June 30, 2014
General	$ 8,911,362	$ 28,849,436	$ 29,789,796	$ 7,971,002
Building	343,507	771	187,706	156,572
Cafeteria	273,810	668,834	890,124	52,520
Bond Interest & Redemption	2,012,459	2,632,059	2,527,971	2,116,547
Capital Facilities	214,251	226,709	218,140	222,820
Capital Projects - Special Reserve	3,750	434,607	142,924	295,433
Total	**$ 11,759,139**	**$ 32,812,416**	**$ 33,756,661**	**$ 10,814,894**

The primary reasons for these increase/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from $8.9 million to $8.0 million. This decrease is primarily due to increased in instruction related costs due to salaries and benefits.
b. Our special revenue funds consist of cafeteria fund. The cafeteria fund balance decreased from $273,810 to $52,520. This decrease is primarily due to a decrease in food sales and increased food and labor costs.
c. Capital outlay funds increased approximately $113 thousand due to facility constructions.
d. The debt service funds increased approximately $104 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was approved on March 4, 2014. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 45).

Budgeted expenditures increased by $2.4 million due to the collective bargaining settlement reached during 2013-2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had $32.5 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1.1 million, or 3.3 percent, from last year (Table 5).

Table 5

	Governmental Activities 2014	Governmental Activities 2013
Land and construction in progress	$ 2,792,748	$ 2,901,847
Buildings and improvements	29,356,650	30,527,351
Equipment	311,932	216,673
Total	**$ 32,461,330**	**$ 33,645,871**

This year’s major additions included roof projects and purchasing and installing four portable classrooms at the various school locations. We present more detail information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $30.4 million in long-term obligations outstanding versus $31.5 million last year, a decrease of $1.1 million or 3.5 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2014	2013
General obligation bonds (financed with property taxes)	$ 29,264,451	$ 30,554,934
Compensated absences	70,820	131,543
Other Postemployment Benefits	1,038,270	820,830
Total	**$ 30,373,541**	**$ 31,507,307**

The District's general obligation bond rating is AA (S&P – July 2012). The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $29.3 million is significantly below this statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-2014 year, the governing board and management used the following criteria: modest increase in number of students enrolled, ongoing cost containment efforts, appropriate compensation for employees, and prudent management of reserves.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	23:1	1610
Grades four through eight	26:1	1850

The new items specifically addressed in the budget are:

- Space for increased student enrollment
- Ongoing facilities maintenance and repair
- Implementation of Common Core Standards

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official, Kevin Collins, at Walnut Creek School District, 960 Ygnacio Valley Road, Walnut Creek, California, 94597, or e-mail at kcollins@wcsd.k12.ca.us.

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2014

		Governmental Activities
ASSETS		
Deposits and investments	$	9,574,255
Receivables		2,013,241
Stores inventories		24,796
Capital assets not depreciated		2,792,748
Capital assets, net of accumulated depreciation		29,668,582
Total Assets		44,073,622
LIABILITIES		
Accounts payable		705,744
Interest payable		361,975
Unearned revenue		91,654
Current portion of long-term obligations		1,500,000
Unamortized bond premiums		1,310,378
Noncurrent portion of long-term obligations		28,873,541
Total Liabilities		32,843,292
NET POSITION		
Invested in capital assets, net of related debt		2,043,073
Restricted for:		
Debt service		1,754,572
Capital projects		222,820
Educational programs		809,598
Other activities		52,520
Unrestricted		6,347,747
Total Net Position	$	11,230,330

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

WALNUT CREEK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses)/ Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 21,820,793	$ -	$ 2,125,542	$ (19,695,251)
Instruction-related activities:				
Supervision of instruction	1,347,978	-	844,074	(503,904)
Instructional library, media, and technology	577,950	-	1,100	(576,850)
School site administration	1,778,506	-	34	(1,778,472)
Pupil services:				
Home-to-school transportation	242,595	-	112,859	(129,736)
Food services	949,909	504,651	214,035	(231,223)
All other pupil services	1,307,200		390,179	(917,021)
Administration:				
Data processing	13,645	-	-	(13,645)
All other administration	1,552,042	-	-	(1,552,042)
Plant services	2,876,063	-	133,765	(2,742,298)
Ancillary services	11,795	-	-	(11,795)
Interest on long-term obligations	1,155,622	-	-	(1,155,622)
Other outgo	61,525	-	60,156	(1,369)
Total Governmental Activities	$ 33,695,623	$ 504,651	$ 3,881,744	(29,309,228)
	General revenues and subventions:			
	Property taxes, levied for general purposes			16,995,332
	Property taxes, levied for debt service			2,616,413
	Taxes levied for other specific purposes			1,289,124
	Federal and State aid not restricted to specific purposes			4,421,950
	Interest and investment earnings			35,310
	Miscellaneous			3,037,945
	Subtotal, General Revenues			28,396,074
	Change in Net Position			(913,154)
	Net Position - Beginning as restated			12,143,484
	Net Position - Ending			$ 11,230,330

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

WALNUT CREEK SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General Fund	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 6,678,895	$ 2,116,547	$ 778,813	$ 9,574,255
Receivables	1,978,272	-	34,969	2,013,241
Stores inventories	3,621	-	21,175	24,796
Total Assets	$ 8,660,788	$ 2,116,547	$ 834,957	$ 11,612,292
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 654,786	$ -	$ 50,958	$ 705,744
Unearned revenue	35,000	-	56,654	91,654
Total Liabilities	689,786	-	107,612	797,398
Fund Balances:				
Nonspendable	18,721	-	21,175	39,896
Restricted	809,598	2,116,547	409,781	3,335,926
Assigned	172,170	-	296,389	468,559
Unassigned	6,970,513	-	-	6,970,513
Total Fund Balances	7,971,002	2,116,547	727,345	10,814,894
Total Liabilities and Fund Balances	$ 8,660,788	$ 2,116,547	$ 834,957	$ 11,612,292

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

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balance - Governmental Funds		**$ 10,814,894**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 62,262,915	
Accumulated depreciation is	(29,801,585)	
Net Capital Assets		32,461,330
recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(361,975)
In governmental funds, bond premiums are recognized as revenues in the period they are received. In government-wide statements, premiums are amortized over the life of the debt.		(1,310,378)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	29,264,451	
Other Post Employment Benefits	1,038,270	
Compensated absences (vacations)	70,820	
Total Long-Term Obligations		(30,373,541)
Total Net Position - Governmental Activities		**$ 11,230,330**

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

WALNUT CREEK SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 20,826,655	$ -	$ -	$ 20,826,655
Federal sources	917,041	-	187,802	1,104,843
Other State sources	2,517,706	20,254	9,885	2,547,845
Other local sources	4,454,746	2,611,805	1,133,234	8,199,785
Total Revenues	28,716,148	2,632,059	1,330,921	32,679,128
EXPENDITURES				
Current				
Instruction	20,494,581	-	-	20,494,581
Instruction-related activities:				
Supervision of instruction	1,263,139	-	-	1,263,139
Instructional library, media and technology	541,575	-	-	541,575
School site administration	1,666,570	-	-	1,666,570
Pupil services:				
Home-to-school transportation	227,327	-	-	227,327
Food services	-	-	890,124	890,124
All other pupil services	1,224,928	-	-	1,224,928
Administration:				
Data processing	12,786	-	-	12,786
All other administration	1,454,359	-	-	1,454,359
Plant services	2,596,233	-	-	2,596,233
Facility acquisition and construction	182,432	-	468,770	651,202
Ancillary services	11,053	-	-	11,053
Other outgo	61,525	-	-	61,525
Debt service				
Principal	-	1,410,000	-	1,410,000
Interest and other	-	1,117,971	-	1,117,971
Total Expenditures	29,736,508	2,527,971	1,358,894	33,623,373
Excess (Deficiency) of Revenues Over Expenditures	(1,020,360)	104,088	(27,973)	(944,245)
Other Financing Sources (Uses)				
Transfers in	133,288	-	-	133,288
Transfers out	(53,288)	-	(80,000)	(133,288)
Net Financing Sources (Uses)	80,000	-	(80,000)	-
NET CHANGE IN FUND BALANCES	(940,360)	104,088	(107,973)	(944,245)
Fund Balance - Beginning	8,911,362	2,012,459	835,318	11,759,139
Fund Balance - Ending	$ 7,971,002	$ 2,116,547	$ 727,345	$ 10,814,894

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

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds		**$ (944,245)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense and adjustments	$ (1,833,630)	
Capital outlays and adjustments	649,089	
Net Expense Adjustment		(1,184,541)
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements. This amount represents the net change of current year addition and amortization.		63,700
In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value.		(119,517)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by $60,723.		60,723
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		1,410,000
In governmental funds, Other Postemployment Benefit (OPEB) costs are recognized when employer contributions are made. In the statement of activties, OPEB costs are recognized on the accrual basis. This year, the costs are more than the employer contribution.		(217,440)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		18,166
Change in Net Position of Governmental Activities		**$ (913,154)**

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

WALNUT CREEK SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Agency Funds	
	Pass-Through Funds	**Associated Student Body Funds**
ASSETS		
Deposits and investments	$ 189,541	$ 5,369
Total Assets	$ 189,541	$ 5,369
LIABILITIES		
Due to others/student groups	$ 189,541	$ 5,369
Total Liabilities	$ 189,541	$ 5,369

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Walnut Creek School District was organized on November 1, 1860 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to students in kindergarten through eighth grade as mandated by the State and/or Federal agencies. The District operates five elementary schools and one intermediate school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Walnut Creek School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of $2,043,865, $2,043,865, and $7,396, respectively.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in (*Government Code* Sections 65970-65981); or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no such trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the debt service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 for furniture and equipment purchases and $50,000 for capital improvement, acquisition, or construction. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 7 to 50 years; site improvements, 14 to 40 years; furniture and equipment, 5 to 20 years.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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 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 District'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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 25 percent of General Fund expenditures and other financing uses. If the reserve drops below 20% it shall be recovered at a rate of 1% minimally, each year.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The government-wide financial statements report $3,335,926 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by $602,991. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No.68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	$ 9,574,255
Fiduciary funds	194,910
Total Deposits and Investments	$ 9,769,165

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	$ 2,986
Cash in revolving	15,100
Investments	9,751,079
Total Deposits and Investments	$ 9,769,165

Policies and Practices

The District is authorized under California Government Code 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.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code Section 41001*). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity
County Pool	$ 9,751,079	184 Days
Total	$ 9,751,079	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool are not required to be rated, nor have they been rated as of June 30, 2014.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District does not have any bank balance exposed to custodial credit.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 228,571	$ 33,173	$ 261,744
State Government			
State principle apportionment	992,699	-	992,699
Categorical aid	514,526	1,377	515,903
Lottery	113,117	-	113,117
Other Local Sources	129,359	419	129,778
Total	$ 1,978,272	$ 34,969	$ 2,013,241

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Adjustment/ Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 2,738,587	$ -	$ -	$ 2,738,587
Construction in Progress	163,260	54,161	163,260	54,161
Total Capital Assets Not Being Depreciated	2,901,847	54,161	163,260	2,792,748
Capital Assets Being Depreciated:				
Land Improvements	17,270,774	7,444	-	17,278,218
Buildings and Improvements	40,931,603	623,486	-	41,555,089
Furniture and Equipment	646,540	23,917	33,598	636,859
Total Capital Assets Being Depreciated	58,848,917	654,847	33,598	59,470,166
Total Capital Assets	61,750,764	709,008	196,858	62,262,914
Less Accumulated Depreciation:				
Land Improvements	8,689,873	597,034	-	9,286,907
Buildings and Improvements	18,985,153	1,204,597	-	20,189,750
Furniture and Equipment	429,867	31,998	136,938	324,927
Total Accumulated Depreciation	28,104,893	1,833,629	136,938	29,801,584
Total Capital Assets Being Depreciated, Net	30,744,024	(1,178,782)	(103,340)	29,668,582
Governmental Activities Capital Assets, Net	$ 33,645,871	$ (1,124,621)	$ 59,920	$ 32,461,330

Depreciation expense was charged as a direct expense to governmental functions as follows:

Instruction	$	1,214,729
Supervision of instruction		60,643
Instructional library, media, and technology		50,187
School site administration		102,491
Home-to-school transportation		13,980
Food services		54,741
All other pupil services		75,331
Ancilliary services		419
Data processing		89,440
All other administration		786
Plant services		170,882
Total Depreciation Expenses Governmental Activities	$	1,833,629

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
Special Reserve - Other	$ 53,288	$ 80,000	$ 133,288
Total	$ 53,288	$ 80,000	$ 133,288

The Special Reserve - Other Fund transferred to the General Fund to cover curriculumn cost.	$	53,288
The Special Reserve - Other Fund transferred to the Special Reserve-Capital Fund to cover construction costs.		80,000
Total	$	133,288

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 654,786	$ 50,958	$ 705,744
Total	$ 654,786	$ 50,958	$ 705,744

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 35,000	$ -	$ 35,000
Other local	-	56,654	56,654
Total	$ 35,000	$ 56,654	$ 91,654

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2013	Addition/ Accretion	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	$ 30,554,934	$ 119,517	$ 1,410,000	$ 29,264,451	$ 1,500,000
Accumulated vacation - net	131,543	-	60,723	70,820	-
Other Post Employment Benefits	820,830	258,685	41,245	1,038,270	-
	$ 31,507,307	$ 378,202	$ 1,511,968	$ 30,373,541	$ 1,500,000

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The accrued vacation, and other postemployment benefits will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2013	Accretion	Redeemed	Bonds Outstanding June 30, 2014
2003	2028	2.00-4.80	$ 7,000,000	$ 3,365,000	$ -	$ 215,000	$ 3,150,000
2005	2030	3.50-4.50	5,000,000	4,240,000	-	125,000	4,115,000
2007	2032	4.00-8.00	4,000,000	3,810,000	-	75,000	3,735,000
2007	2025	3.50-4.125	8,625,000	6,395,000	-	475,000	5,920,000
2010	2026	4.10-4.25	2,035,000	2,035,000	-	-	2,035,000
2010	2024	3.00-5.625	1,964,628	2,289,934	119,517	-	2,409,451
2012	2027	4.00-4.80	8,420,000	8,420,000	-	520,000	7,900,000
				$ 30,554,934	$ 119,517	$ 1,410,000	$ 29,264,451

Debt Service Requirements to Maturity

The bonds mature as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2015		$ 1,526,420	$ 1,060,564	$ 2,586,984
2016		1,657,192	1,005,853	2,663,045
2017		1,792,297	948,897	2,741,194
2018		1,916,607	905,405	2,822,012
2019		2,043,703	845,637	2,889,340
2020-2024		11,208,409	4,319,053	15,527,462
2025-2029		7,325,000	-	7,325,000
2030-2033		1,350,000	-	1,350,000
Sub-total		28,819,628	$ 9,085,409	$ 37,905,037
	Accretion to date	444,823		
	Total	$ 29,264,451		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to $70,820.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was $258,685, and contributions made by the District during the year were $54,925. Interest on the net OPEB obligation and adjustments to the annual required contribution were $41,042 and $(27,362), respectively, which resulted in an increase to the net OPEB obligation of $217,440. As of June 30, 2014, the net OPEB obligation was $1,038,270. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 15,100	$ -	$ -	$ 15,100
Stores inventories	3,621	-	21,175	24,796
Total Nonspendable	18,721	-	21,175	39,896
Restricted				
Legally restricted programs	809,598	-	30,389	839,987
Capital projects	-	-	379,392	379,392
Debt services	-	2,116,547	-	2,116,547
Total Restricted	809,598	2,116,547	409,781	3,335,926
Assigned				
Class donations - all sites	172,170	-	-	172,170
Other assigned	-	-	296,389	296,389
Total Assigned	172,170	-	296,389	468,559
Unassigned				
Reserve for economic uncertainties	838,800	-	-	838,800
Remaining unassigned	6,131,713	-	-	6,131,713
Total Unassigned	6,970,513	-	-	6,970,513
Total	$ 7,971,002	$ 2,116,547	$ 727,345	$ 10,814,894

NOTE 10 - LEASE REVENUES

On October 1, 2010, the District signed a five-year lease agreement with the Dorris Eaton School to lease a district surplus property. The lease agreement expires June 30, 2015. The future minimum lease payments expected to be received under this agreement are as follows:

Year Ending June 30,	Lease Revenue
2015	$ 392,381
Total	$ 392,381

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The District provides retiree health benefits, based on age, service, and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The District provides coverage to the following groups of employees and the District and retirees share in the cost of benefits as follows:

	Certificated	Classified	Certificated Management	Classified Management	Confidential
Benefits provided	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision	Medical, dental & vision
Duration	To age 65	To age 65	To age 65	To age 65	To age 65
Required service	10 years	15 years	10 years	10 years	10 years
Minimum age	55	55	55	55	50
Dependent coverage	No	No	No	No	No
District contribution %	100%	100%	100%	100%	100%
District monthly Cap	$645.83/mo. for five years $150 per month thereafter	$400/mo.	$519.35/mo.	$519.35/mo. for five years	$150/mo.
District annual Cap	$7,750 per year for five years $1,800 per year thereafter	$4,800 per year	$6,232 per year for five years	$6,507 per year for five years	$1,800 per year

The District had 272 active employees and 13 retired employees covered by the OPEB plan as of June 30, 2014. The OPEB benefits are administered by the District. No separate financial statements are issued.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District and the various bargaining units. For fiscal year 2013-2014, the District contributed $54,925 to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset/obligation to the Plan:

Annual required contribution	$ 258,685
Interest on net OPEB obligation	41,042
Adjustment to annual required contribution	(27,362)
Annual OPEB cost (expense)	272,365
Contributions made	(54,925)
Increase in net OPEB obligation	217,440
Net OPEB obligation, beginning of year	820,830
Net OPEB obligation, end of year	$ 1,038,270

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2012	$ 255,306	$ 40,522	16%	$ 607,839
2013	261,384	48,393	19%	820,830
2014	$ 272,365	$ 54,925	20%	$ 1,038,270

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
06/30/14	$ -	$ 1,920,329	$ 1,920,329	0%	$ 20,586,675	9%

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

Actuarial Methods and Assumptions

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

In the June 30, 2014, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.75 percent discount rate, based on assumed long- term return on employer assets. The valuation assumes a compensation increase rate of 2.75% and a 4% healthcare cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at June 30, 2014, was 30 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District participated in three joint powers authority (JPA) for purposes of pooling for risk. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2014, the District participated in the Contra Costa County School Insurance Group (CCCSIG), an insurance purchasing pool. The intent of the CCCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CCCSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CCCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the CCCSIG. Participation in the CCCSIG is limited to districts that can meet the CCCSIG selection criteria.

Employee Medical Benefits

The District is a member of the Contra Costa School Insurance Group Health Benefits Committee which arranges for medical benefits for member districts. Employees who opt to take district medical benefits can choose either Kaiser or Blue Cross coverage. Keenan and Associates acts as broker for the JPA and negotiates pricing on behalf of the membership. The district provides a cap of $7,000 per FTE for certificated employees, $3,600 for classified employees, and $6,232 for management. In addition to medical benefits, the district is a member of the School Self Insurance of Contra Costa County for dental and vision coverage for employees.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to

CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were $1,335,670, $1,225,166, and $1,115,190 respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the 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 survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were $402,546, $385,807, and $349,645, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $ 748,999 (5.541 percent of annual payroll).
Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2014.

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Dorris-Eaton School Multi-use Room Renovation	$ 164,429	08/11/14
	$ 164,429	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the East Bay School Insurance Group (EBSIG), Contra Costa County School Insurance Group (CCCSIG), and the Schools Self Insurance of Contra Costa County (SSICCC) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for property and liabilities are paid to the EBSIG, payments for workers' compensation are paid to CCCSIG, and payments for dental and vision are paid to SSICCC. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District 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 District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2014, the District made payments of $192,589, $378,723 and $491,250 to EBSIG, CCCSIG, and SSICCC, respectively for insurance premiums.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 12,746,475
Restatement/cost of issuance	(602,991)
Net Position - Beginning as restated	$ 12,143,484

REQUIRED SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 18,146,933	$ 20,710,944	$ 20,826,655	$ 115,711
Federal sources	1,005,128	1,025,732	917,041	(108,691)
Other State sources	2,797,855	1,688,831	2,517,706	828,875
Other local sources	3,949,108	3,967,833	4,454,746	486,913
Total Revenues [1]	25,899,024	27,393,340	28,716,148	1,322,808
EXPENDITURES				
Current				
Certificated salaries	14,975,445	16,312,720	15,855,807	456,913
Classified salaries	3,676,898	4,114,768	4,256,082	(141,314)
Employee benefits	3,985,900	3,981,813	4,967,294	(985,481)
Books and supplies	976,511	972,308	826,980	145,328
Services and operating expenditures	2,818,808	3,432,269	3,586,388	(154,119)
Other outgo	(39,679)	-	61,525	(61,525)
Capital outlay	215,130	215,130	182,432	32,698
Total Expenditures [1]	26,609,013	29,029,008	29,736,508	(707,500)
Excess (Deficiency) of Revenues Over Expenditures	(709,989)	(1,635,668)	(1,020,360)	615,308
Other Financing Sources (Uses)				
Transfers in	65,000	65,000	133,288	68,288
Transfers out	-	-	(53,288)	(53,288)
Net Financing Sources (Uses)	65,000	65,000	80,000	15,000
NET CHANGE IN FUND BALANCES	(644,989)	(1,570,668)	(940,360)	630,308
Fund Balance - Beginning	8,911,362	8,911,362	8,911,362	-
Fund Balance - Ending	$ 8,266,373	$ 7,340,694	$ 7,971,002	$ 630,308

[1] On behalf payments of $748,999 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual amounts.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
12/01/09	$ -	$ 2,609,188	$ 2,609,188	0%	$ 16,030,526	16%
12/01/11	-	1,938,648	1,938,648	0%	18,310,506	11%
06/30/14	-	1,920,329	1,920,329	0%	20,586,675	9%

SUPPLEMENTARY INFORMATION

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Elementary and Secondary Education Act			
NCLB - Title I, Part A, Basic Grants	84.010	14981	$ 156,633
Title II, Part A, Improving Teacher Quality	84.367	14341	58,706
Title III, Immigrant Education Program	84.365	14346	18,197
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	35,061
Special Education - State Grants			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	536,566
IDEA, Preschool Grants, Part B	84.173	13430	17,429
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	42,636
Total U.S. Department of Education			914,722
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medi-Cal Billing Option	93.778	10013	2,319
Total U.S. Department of Health and Human Services			2,319
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.553	13390	187,802
Total U.S. Department of Agriculture			187,802
Total Expenditures of Federal Awards			$ 1,104,843

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2014

ORGANIZATION

The Walnut Creek School District was established on November 1, 1860, and is located in Contra Costa County. The District operates five elementary schools, one intermediate school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jon-Michael Johnson	President	December 2014
Angela P. Borchardt	Clerk	December 2014
Barbara S. Pennington	Member	December 2014
Katie Peña	Member	December 2016
Elizabeth Bettis	Member	December 2016

ADMINISTRATION

Patricia Wool, Ed. D.	Superintendent
Kevin Collins, Ed. D.	Chief Business Official
Peter Simack	Director of Special Services
Lisa Cheney	Director of Curriculum

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2014

	Final Report Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,490.05	1,492.81
Fourth through sixth	1,201.14	1,200.19
Seventh and eighth	762.32	760.14
Total Regular ADA	3,453.51	3,453.14
Extended Year Special Education		
Transitional kindergarten through third	1.49	1.49
Fourth through sixth	0.93	0.93
Seventh and eighth	0.21	0.21
Total Extended Year Special Education	2.63	2.63
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.89	3.12
Total Special Education, Nonpublic, Nonsectarian Schools	2.89	3.12
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.14	0.14
Total Special Education, Nonpublic, Nonsectarian Schools	0.14	0.14
Total ADA	3,459.17	3,459.03

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2013-14 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	36,000	180	Complied
Grades 1 - 3					
Grade 1	50,400	49,000	55,700	180	Complied
Grade 2	50,400	49,000	55,700	180	Complied
Grade 3	50,400	49,000	55,700	180	Complied
Grades 4 - 6					
Grade 4	54,000	52,500	55,805	180	Complied
Grade 5	54,000	52,500	55,805	180	Complied
Grade 6	54,000	52,500	61,843	180	Complied
Grades 7 - 8					
Grade 7	54,000	52,500	61,843	180	Complied
Grade 8	54,000	52,500	61,843	180	Complied

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Summarized below are the reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

FORM DEBT		Form Debt
Total Liabilities, June 30, 2014, Unaudited Actuals	$	29,878,806
Increase in:		
General Obligation Bonds		444,823
Other Postemployment Benefits (OPEB)		57,372
Decrease in:		
Compensated Absences		(7,460)
Total Liabilities, June 30, 2014, Audited Financial Statement	$	30,373,541

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 [1]	2014	2013	2012
GENERAL FUND				
Revenues	$ 28,779,286	$ 28,716,148	$ 27,316,967	$ 26,183,415
Other sources	65,000	133,288	29,145	-
Total Revenues and Other Sources	28,844,286	28,849,436	27,316,967	26,183,415
Expenditures	29,578,409	29,736,508	27,854,895	26,796,803
Other uses and transfers out	-	53,288	109,145	-
Total Expenditures and Other Uses	29,578,409	29,789,796	27,964,040	26,796,803
INCREASE (DECREASE) IN FUND BALANCE	$ (734,123)	$ (940,360)	$ (647,073)	$ (613,388)
ENDING FUND BALANCE	$ 5,193,014	7,971,002	$ 8,911,362	$ 9,558,435
AVAILABLE RESERVES [2]	$ 4,845,636	$ 7,809,313	$ 6,745,274	$ 6,504,924
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	16.38%	26.21%	24.12%	24.28%
LONG-TERM OBLIGATIONS	$ 28,873,541	$ 30,373,541	$ 31,507,307	$ 33,283,354
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,444	3,459	3,432	3,412

The General Fund balance has decreased by $1,587,433 over the past two years. The fiscal year 2014-2015 projects a decrease of $734,123 (or 9 percent). For a district this size, the State requires available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by $2,909,813 over the past two years.

Average daily attendance has increased by 47 over the past two years. The District anticipates a decrease of 15 ADA during fiscal year 2014-2015.

[1] Budget 2015 is included for analytical purposes only and has not been subjected to audit. 2015 budget does not include activity related to the consolidation of Fund 17, Special Reserve Non-Capital Fund, as required by GASB 54.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ 59,732	$ 156,572	$ 222,820	$ 339,689	$ 778,813
Receivables	34,969	-	-	-	34,969
Stores inventories	21,175	-	-	-	21,175
Total Assets	$ 115,876	$ 156,572	$ 222,820	$ 339,689	$ 834,957
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 6,702	$ -	$ -	$ 44,256	$ 50,958
Unearned revenue	56,654	-	-	-	56,654
Total Liabilities	63,356	-	-	44,256	107,612
Fund Balances:					
Nonspendable	21,175	-	-	-	21,175
Restricted	30,389	156,572	222,820	-	409,781
Assigned	956	-	-	295,433	296,389
Total Fund Balances	52,520	156,572	222,820	295,433	727,345
Total Liabilities and Fund Balances	$ 115,876	$ 156,572	$ 222,820	$ 339,689	$ 834,957

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	$ 187,802	$ -	$ -	$ -	$ 187,802
Other State sources	9,885	-	-	-	9,885
Other local sources	471,147	771	226,709	434,607	1,133,234
Total Revenues	668,834	771	226,709	434,607	1,330,921
EXPENDITURES					
Current					
Pupil services:					
Food services	890,124	-	-	-	890,124
Facility acquisition and construction	-	187,706	218,140	62,924	468,770
Total Expenditures	890,124	187,706	218,140	62,924	1,358,894
Excess (Deficiency) of Revenues Over Expenditures	(221,290)	(186,935)	8,569	371,683	(27,973)
Other Financing Sources (Uses)					
Transfers out	-	-	-	(80,000)	(80,000)
Net Financing Uses	-	-	-	(80,000)	(80,000)
NET CHANGE IN FUND BALANCES	(221,290)	(186,935)	8,569	291,683	(107,973)
Fund Balance - Beginning	273,810	343,507	214,251	3,750	835,318
Fund Balance - Ending	$ 52,520	$ 156,572	$ 222,820	$ 295,433	$ 727,345

See accompanying note to supplementary information.

WALNUT CREEK SCHOOL DISTRICT

MEASURE B – PARCEL TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

Revenues	2013-2014	2012-13	2011-12
Parcel Tax Proceeds	$ 1,232,913	$ 1,228,573	$ 1,220,935
Less: Refunds/Uncollected Taxes	-	-	(13,083)
Total Revenues	1,232,913	1,228,573	1,220,935
Expenditures			
Salaries and Benefits (16.5 FTE's)	1,245,298	1,202,548	1,266,629
Net Change in Fund Balance	(12,385)	26,025	(45,694)
Fund Balance - Beginning	(109)	(26,134)	19,560
Fund Balance - Ending	$ (12,494)	$ (109)	$ (26,134)

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

Measure B Parcel Tax - Schedule of Revenues, Expenditures and Changes In Fund Balances

This schedule discloses the revenues, expenditures, and remaining fund balance of the District's Measure B parcel tax. In accordance with the ballot measure, proceeds from the parcel tax were used to attract and retain quality teachers, maintain small class sizes, keep classroom computers and technology up to date and secure; and to preserve school library funding.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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

Governing Board
Walnut Creek School District
Walnut Creek, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walnut Creek School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Walnut Creek School District's basic financial statements, and have issued our report thereon dated November 19, 2014.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has adopted the provisions of the GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
November 19, 2014

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on Compliance for Each Major Federal Program

We have audited Walnut Creek School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Walnut Creek School District's (the District) major Federal programs for the year ended June 30, 2014. Walnut Creek School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Walnut Creek School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Walnut Creek School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
November 19, 2014

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Walnut Creek School District
Walnut Creek, California

Report on State Compliance

We have audited Walnut Creek School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Walnut Creek School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Walnut Creek School District's State programs based on our audit of the types of compliance requirements referred to above. 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 the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Walnut Creek School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Walnut Creek School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Walnut Creek School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Walnut Creek School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes (see below)
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for Independent Study Program because the reported ADA was below the materiality testing thresholds as outlined in the *Standards and Procedures for Audit of California K-12 Local Agencies*. In addition, we did not perform test of expenditures for the California Clean Energy Jobs Act program because there was no expenditures incurred.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
November 19, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WALNUT CREEK SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major Federal progı

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None reported.

WALNUT CREEK SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2013-1 Capital Assets (30000)

Criteria or Specific Requirements
Accounting principles generally accepted in the United States of America and best accounting practices emphasize a system of internal control over capital assets that will provide for both the safekeeping of District-owned assets and the proper recordkeeping of the assets' net book values.

Condition
Significant Deficiency - The accounting for capital assets and the related valuations has primarily been completed only at year-end. The review and analysis of purchases, disposals, and other changes in the capital asset accounts has a significant impact on the financial statements as a whole. The current year additions on the capital asset schedule were not reconciled to the capital expenditures incurred during the year.

Questioned costs
None.

Context
The District has a valuation of over $33 million in a range of assets including land, construction in progress, buildings and improvements, and equipment. The capital asset valuation represents approximately 72 percent of the District's total assets.

Effect
District's capital assets may be over or under stated.

Cause
Capital asset schedules are not updated regularly. In addition, completed projects listed in the work-in-progress were not transferred to the completed capital asset list when put into use.

Recommendation
The District Business Office should establish a procedure to identify asset expenditures throughout the year as they occur and update the capital asset listing at least quarterly. This update should include a reconciliation of all construction accounts and equipment expense accounts to ensure all items meeting the threshold for capitalization are met. In addition, work-in-progress (WIP) projects completed should be transferred out of the WIP list and added to the appropriate categories (site or building improvements) of the depreciation schedule for properly assets valuation.

Current Status
Implemented

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APPENDIX D

EXCERPTS FROM THE COUNTY INVESTMENT REPORT

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CONTRA COSTA COUNTY INVESTMENT POOL
As of March 31, 2015

TYPE	PAR VALUE	COST	FAIR VALUE	PERCENT OF TOTAL COST
A. Investments Managed by Treasurer's Office				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$25,010,000.00	$25,045,210.69	$25,120,011.25	0.94%
2. U.S. Agencies				
Federal Home Loan Banks	180,459,857.14	181,217,748.18	181,375,917.61	6.82%
Federal National Mortgage Association	109,945,000.00	111,539,637.11	110,578,737.13	4.19%
Federal Farm Credit Banks	109,290,000.00	109,298,648.44	109,450,141.31	4.11%
Federal Home Loan Mortgage Corporation	122,343,000.00	122,457,577.68	122,687,221.66	4.61%
Municipal Bonds	7,225,000.00	7,456,851.62 [1]	7,456,851.62 [1]	0.28%
Subtotal	529,262,857.14	531,970,463.03	531,548,869.33	20.01%
3. Money Market Instruments				
Commercial Paper	801,140,000.00	800,331,398.84	800,800,716.30	30.10%
Negotiable Certificates of Deposit	700,984,000.00	700,985,328.50	701,167,735.99	26.36%
Medium Term Certificates of Deposit	2,025,000.00	2,025,000.00	2,025,000.00	0.08%
Money Market Accounts	565,318.32	565,318.32	565,318.32	0.02%
Time Deposit	3,335.77	3,335.77	3,335.77	0.00%
Subtotal	1,504,717,654.09	1,503,910,381.43	1,504,562,106.38	56.56%
4. Asset Backed Securities/Mortgage Backed Securities	2,090,000.00	2,094,024.49	2,093,548.49	0.08%
5. Corporate Notes	130,122,000.00	130,342,209.68	130,809,803.29	4.90%
TOTAL (Section A.)	2,191,202,511.23	2,193,362,289.32	2,194,134,338.74	82.49%
B. Investments Managed by Outside Contractors				
1. Local Agency Investment Fund	187,725,423.40	187,725,423.40	187,797,458.90 [2]	7.06%
2. Other				
a. EBRCS Bond	2,375,175.55	2,375,175.55	2,375,175.55	0.09%
b. Miscellaneous (BNY, CCFCU)	110,538.73	110,538.73	110,538.73	0.00%
c. Wells Capital Management	43,980,618.07	44,345,634.25	44,322,307.71	1.67%
d. CalTRUST (Short-Term Fund)	88,597,636.89	88,597,636.89	88,597,636.89	3.33%
Subtotal	135,063,969.24	135,428,985.42	135,405,658.88	5.09%
TOTAL (Section B.)	322,789,392.64	323,154,408.82	323,203,117.78	12.15%
C. Cash	142,422,153.81	142,422,153.81	142,422,153.81	5.36%
[3]**GRAND TOTAL (FOR A , B, & C)**	$2,656,414,057.68	$2,658,938,851.95	$2,659,759,610.33	100.00%

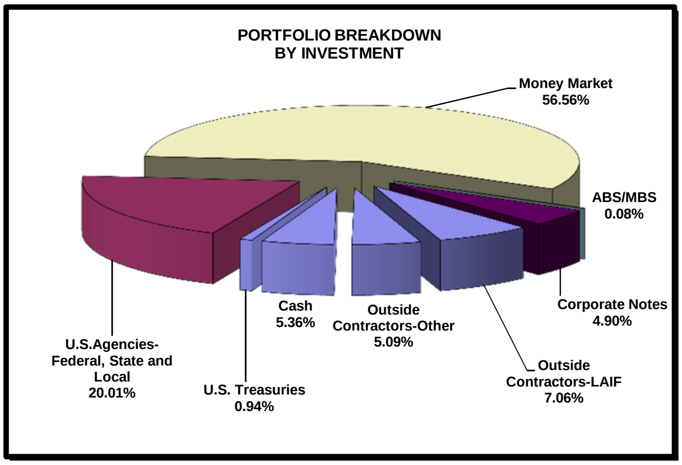
Notes:

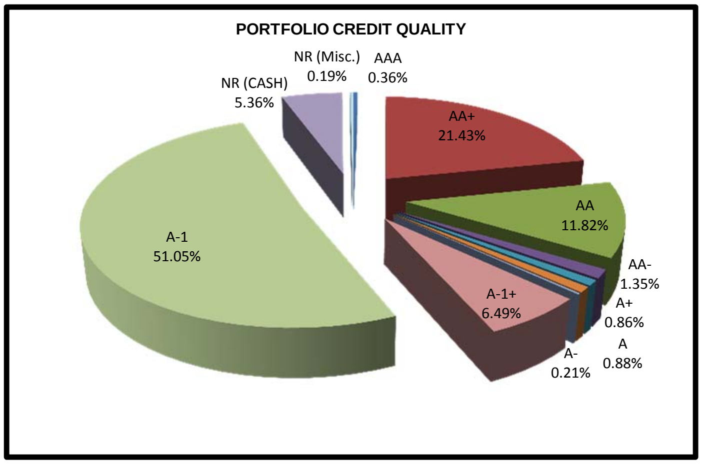
1. Fair Value equals Cost less purchase interest

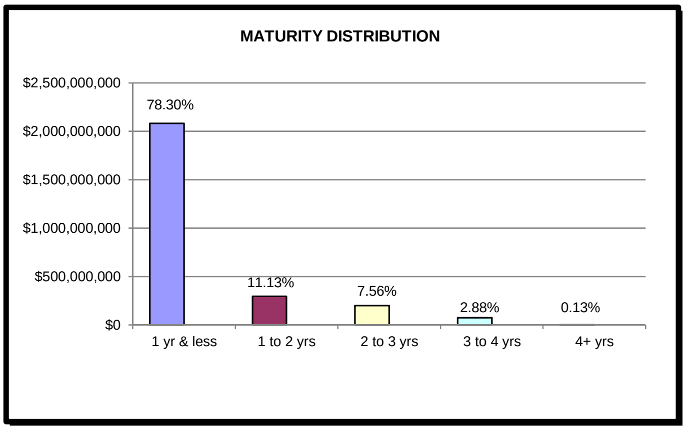
2. Estimated Fair Value

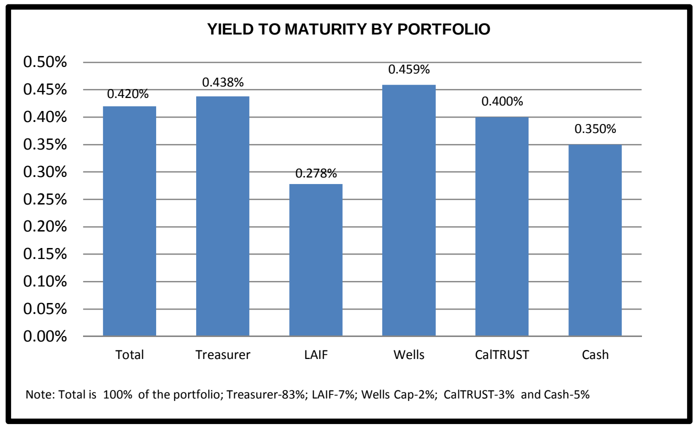
3. Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

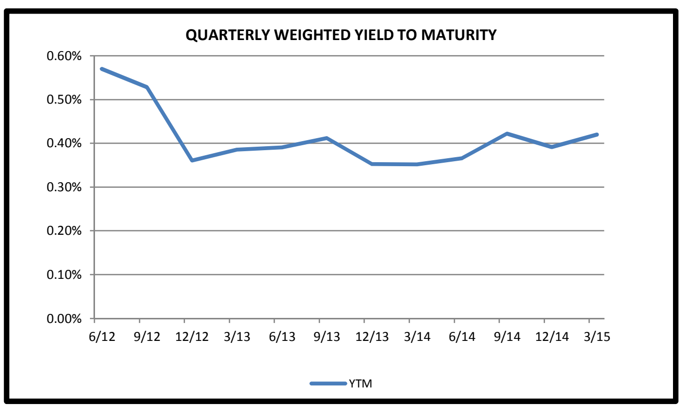
CONTRA COSTA COUNTY
INVESTMENT POOL
AT A GLANCE
AS OF MARCH 31, 2015

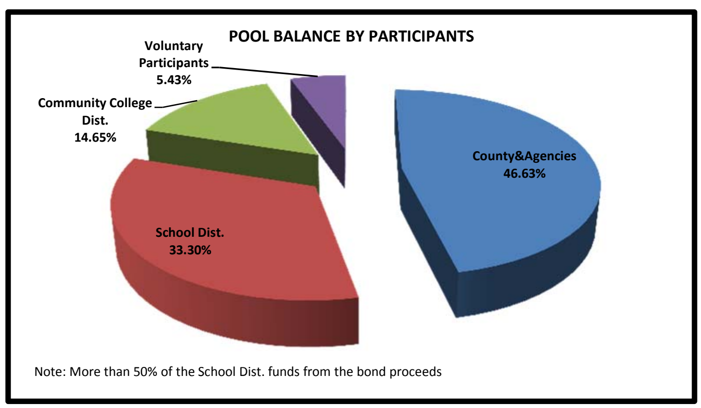










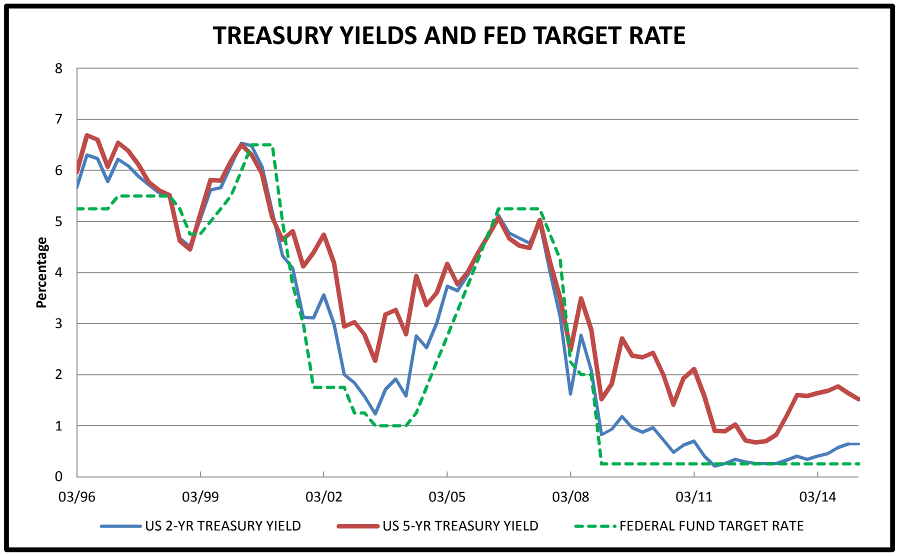


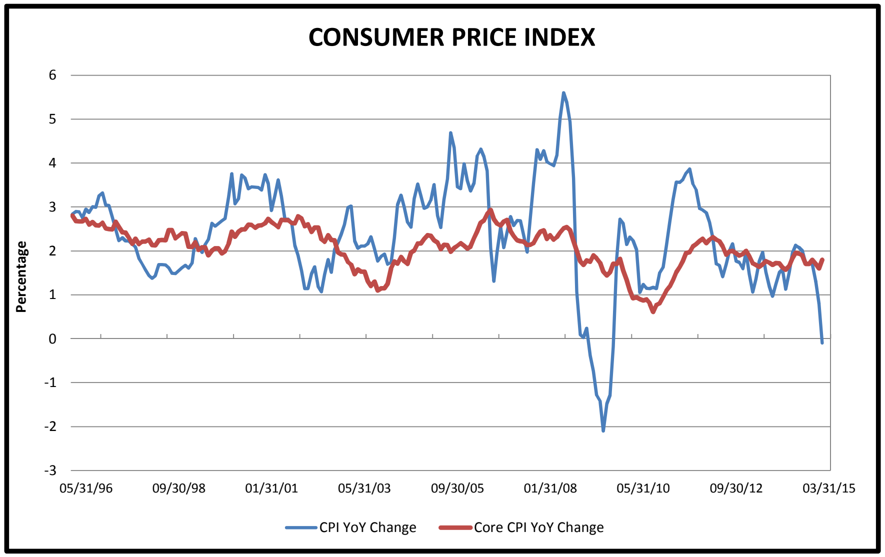
NOTES TO INVESTMENT PORTFOLIO SUMMARY AND AT A GLANCE AS OF MARCH 31, 2015

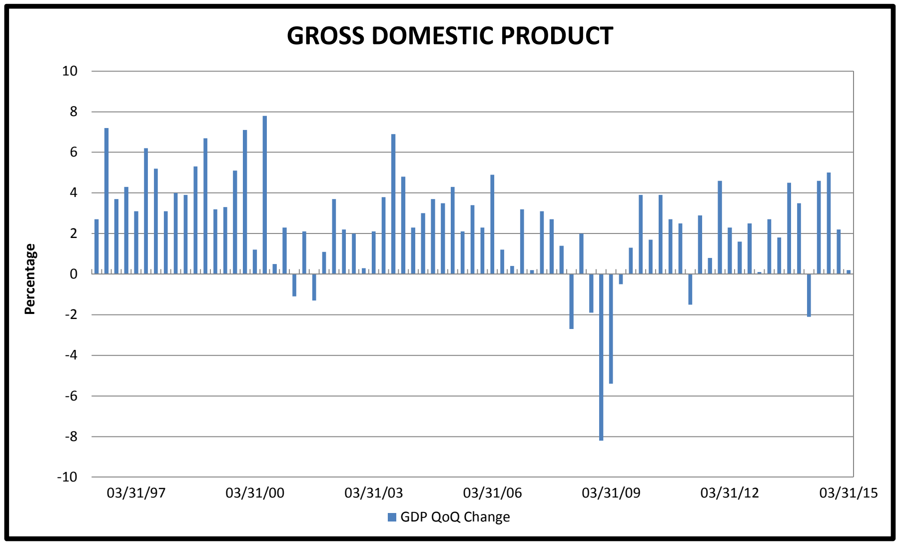
1. All report information is unaudited but due diligence was utilized in its preparation.
2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference in recording transactions associated with outside contracted parties during interim periods and later transmitted to the appropriate county agency and/or the Treasurer's Office. In general, the Treasurer's records reflect booked costs at the beginning of a period.
3. All securities and amounts included in the portfolio are denominated in United States Dollars.
4. The Contra Costa County investment portfolio maintains Standard & Poor's highest credit quality rating of AAAf and lowest volatility of S1+. The portfolio consists of a large portion of short-term investments with credit rating of A-1/P-1 or better. The majority of the long-term investments in the portfolio are rated AA or better.
5. In accordance with Contra Costa County's Investment Policy, the Treasurer's Office has constructed a portfolio that safeguards the principal, meets the liquidity needs and achieves a return. As a result, more than 78% of the portfolio will mature in less than a year with a weighted average maturity of 226 days.

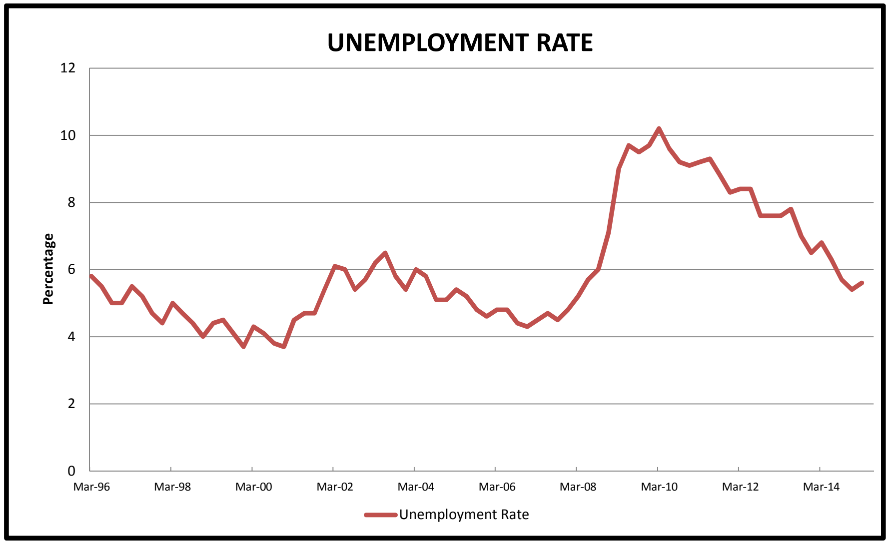
MAJOR MARKET AND ECONOMIC DATA

AS OF MARCH 31, 2015









Note:
All data provided by Bloomberg

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Walnut Creek School District
960 Ygnacio Valley Road
Walnut Creek, California 94597

OPINION: $14,030,000 Walnut Creek School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds

---

Members of the Board of Trustees:

We have acted as bond counsel to the Walnut Creek School District (the "District") in connection with the issuance by the District of $14,030,000 principal amount of Walnut Creek School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds (the "Bonds"), pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District (the "Board") on May 4, 2015 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The Bond Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Bond Resolution for the security of the Bonds.

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

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest

on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

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

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the WALNUT CREEK SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $14,030,000 Walnut Creek School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on May 4, 2015 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

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

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2014-15 Fiscal Year, which is due not later than March 31, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of

Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;

(ii) Assessed value of taxable property in the District as shown on the most recent equalized assessment role; and

(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Bond Resolution.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

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

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. 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 no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District 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 and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Bond Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

WALNUT CREEK SCHOOL DISTRICT

By ______________________________
Superintendent

ACKNOWLEDGED:

ISOM ADVISORS, as Dissemination Agent

By ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Walnut Creek School District

Name of Issue: Walnut Creek School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by ________________.

Dated: ___________________________

ISOM ADVISORS, as Dissemination Agent

By ____
Authorized Officer

cc: Paying Agent

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of AA+. 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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 Paying Agent and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying 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, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 service as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Bond Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Bond Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Bond Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Bond Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Bond Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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