PRELIMINARY OFFICIAL STATEMENT DATED MAY 4, 2010

TWO NEW ISSUES—BOOK-ENTRY ONLY
BANK QUALIFIED

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

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. 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.

$2,000,000*
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds,
Election of 2002, Series D
(Current Interest Bonds)

$1,996,653.05*
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds,
Election of 2002, Series E
(Capital Appreciation Bonds)

Dated: As of Date of Delivery **Due: September 1, as shown on the inside cover**

The $2,000,000* Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series D (the "Series D Bonds"), and the $1,996,653.05* Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series E (the "Series E Bonds" and, with the Series D Bonds, the "Bonds"), are being issued pursuant to the provisions of resolutions of the Governing Board of the Walnut Creek School District (the "District"), resolutions of the Board of Supervisors of Contra Costa County (the "County"), and provisions of California law. The Series D Bonds will be issued as current interest bonds. The Series E Bonds will be issued as capital appreciation bonds.

The Bonds were authorized at an election of the registered voters of the District held on November 5, 2002, which authorized a total of $20,000,000 principal amount of general obligation bonds (the "2002 Authorization") to provide financing to improve school facilities, including updating safety and security systems, building a new library at Walnut Creek Intermediate, improving building exteriors and grounds for safety, updating the technology infrastructure, renovating fields, and other projects listed in District's project list disclosed to the voters. The Bonds represent the fourth and fifth series of general obligation bonds to be issued under the 2002 Authorization. After the issuance of the Bonds, all bonds of the 2002 Authorization will have been issued.

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 of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS—Book-Entry-Only System" herein.

Interest with respect to the Series D Bonds accrues from their date of delivery and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2011, by check mailed to the person in whose name the Series D Bond is registered. Payments of principal and interest on the Series D Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar, authentication agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series D Bonds.

The Series E Bonds will be delivered in denominations such that the Accreted Value (as defined herein) of each such Series E Bond on the stated maturity date thereof will be $5,000 or an integral multiple thereof (except that the first numbered Series E Bond may be issued in a denomination such that the Accreted Value on the stated maturity date thereof shall not be in an integral multiple of $5,000). No payments are due to the owners of the Series E Bonds until the maturity dates of the respective Series E Bonds. Payments of the maturity value of the Series E Bonds will be made by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series E Bonds.

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County pursuant to the 2002 Authorization. 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 or Accreted Value thereof 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 "THE BONDS—Security" and "AD VALOREM PROPERTY TAXATION" herein.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption" herein.

Bids for the purchase of the **Bonds** will be received by the County on behalf of the District on Thursday, May 13, 2010, until 9:00 A.M., Pacific time, as provided in, and pursuant to the terms of sale, set forth in the Official Notice of Sale for the Bonds, dated May 4, 2010.

Bidders must bid on both series. The bidder providing the lowest aggregate borrowing cost to the District for both issues combined will be the winning bidder.

MATURITY SCHEDULES

SEE THE INSIDE COVER

This cover page contains information for quick reference only. It is 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 legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about May 25, 2010.

Dated: May __, 2010

*Preliminary, subject to change. Amount shown for the Series E Bonds is the denominational amount.

$2,000,000*
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds, Election of 2002, Series D
(Current Interest Bonds)

CUSIP Prefix: _______†

Maturity (September 1)	Principal Amount*	Interest Rate	Yield	Price	CUSIP Suffix†
2024	$1,000,000				
2025	1,000,000				

$1,996,653.05*
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds, Election of 2002, Series E
(Capital Appreciation Bonds)

CUSIP Prefix: _________ †

Maturity (September 1)	Original Principal Amount*	Final Accreted Value*	Accretion Rate	Reoffering Yield to Maturity	CUSIP Suffix†
2014		$ 30,000			
2015		50,000			
2016		65,000			
2017		120,000			
2018		130,000			
2019		160,000			
2020		140,000			
2021		215,000			
2022		1,160,000			
2023		1,560,000			

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*Preliminary, subject to change. Total amount shown for the Series E Bonds is the denominational amount.

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 owner and the District or the Underwriter named on the cover page of 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 Resolution or other 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, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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WALNUT CREEK SCHOOL DISTRICT
960 Ygnacio Valley Road
Walnut Creek, California 94597
(925) 944-6850
http://www.walnutcreeksd.org/

BOARD OF EDUCATION

Angela P. Borchardt
President

Arthur M. Clarke
Clerk

Katie Peña
Member

Barbara S. Pennington
Member

Dan B. Walden
Member

DISTRICT ADMINISTRATION

Patricia Wool, Ed.D., *Superintendent*
Marcus Battle, *Chief Business Official*
Toby Hopstone, *Director of Special Services*
Stuart House, *Director, Facilities & Maintenance*

PROFESSIONAL SERVICES

SPECIAL COUNSEL AND DISCLOSURE COUNSEL
Quint & Thimmig LLP
San Francisco, California

FINANCIAL ADVISOR
KNN Public Finance
A Division of Zions First National Bank
Oakland, California

PAYING AGENT, TRANSFER AGENT, AUTHENTICATION AGENT
AND BOND REGISTRAR
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

$2,000,000*
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds
Election of 2002, Series D
(Current Interest Bonds)

$1,996,653.05*
WALNUT CREEK SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds
Election of 2002, Series E
(Capital Appreciation Bonds)

INTRODUCTION

This Official Statement (which includes the cover page, the table of contents and the appendices attached hereto) is furnished by the Walnut Creek School District (the "District"), Contra Costa County, California, to provide information concerning the $2,000,000* Walnut Creek School District General Obligation Bonds, Election of 2002, Series D (the "Series D Bonds"), and the $1,996,653.05* Walnut Creek School District General Obligation Bonds, Election of 2002, Series E (the "Series E Bonds" and, collectively, with the Series D Bonds, the "Bonds"). The Series D Bonds will be issued as current interest bonds. The Series E Bonds will be issued as capital appreciation 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 inside 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.

All terms used but not otherwise defined herein shall have the meanings given such terms in the Resolutions (as defined below).

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 52,723.

The District is governed by a Board of Education 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 of Schools.

More detailed information regarding the area served by the District and the student population of the District may be found under "THE DISTRICT," "DISTRICT FINANCIAL INFORMATION," "TAX BASE FOR REPAYMENT OF BONDS," and "THE ECONOMY OF THE DISTRICT."

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* Preliminary, subject to change.

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 Contra Costa County (the "County") pursuant to the 2002 Authorization (as defined herein). 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 "THE BONDS—Security."

Purpose of Issue

The proceeds of the Bonds will be expended for the acquisition, construction, and improvement of school facilities and grounds. The District intends to use the proceeds of the Bonds to construct and acquire new school facilities, make improvements to existing facilities, rehabilitate school facilities and provide for the acquisition or lease of real property for school facilities to serve the students within the District. See "THE BONDS—Purpose of Issue" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Description of the Bonds

Current Interest and Capital Appreciation Bonds. The Series D Bonds mature serially on September 1, 2024, and September 1, 2025. The Series E Bonds mature serially on each September 1 from September 1, 2014, to September 1, 2023.

The Series E Bonds are payable only at maturity or redemption, and will not bear interest on a current basis. The maturity value of each Series E Bond is equal to its accreted value upon the maturity thereof, being comprised of its initial purchase price (the "Denominational Amount") and the accreted interest between the delivery date and its respective maturity or redemption date.

Registration. 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 inside 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 "THE BONDS—Book-Entry-Only System" and APPENDIX D—"BOOK-ENTRY 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 Resolutions described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds."

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or maturity value, as applicable, or any integral multiple thereof.

Redemption. The Series D Bonds may be redeemed before maturity at the option of the District from any source of funds, on September 1, 2020, or any date thereafter as a whole, or in part. The Series E Bonds are not subject to optional redeemed before maturity. See "THE BONDS—Optional Redemption" herein.

Payments. Interest on the Series D Bonds accrues from their date of delivery and is payable semiannually on each March 1 and September 1 (each a "Interest Payment Date"), commencing March 1, 2011. Principal on the Series D Bonds is payable on September 1, in the amounts and years as set forth on the inside cover page hereof. Each Series E Bond accretes in value from its Denominational Amount on its date of delivery to its maturity value on the maturity thereof at the approximate yields per annum set forth on the inside cover page hereof, compounded semiannually on March 1 and September 1 of each year, commencing September 1, 2010, and is payable at maturity according to the amounts set forth in the accreted value tables as shown in Appendix E.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. 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."

Authority for Issuance of the Bonds

The Bonds will be issued pursuant to certain provisions of the California Constitution, the California Education Code and other applicable law and pursuant to certain resolutions adopted by the Board of Trustees of the District (the "District Board") and the Board of Supervisors of the County (the "County Board"). See "THE BONDS—Authority for Issuance" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about May 25, 2010.

Continuing Disclosure

The District will covenant for the benefit of the Bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, if material, 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 material events is summarized below under the caption APPENDIX C—"FORMS OF CONTINUING DISCLOSURE CERTIFICATES."

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Walnut Creek School District, 960 Ygnacio Valley Road, Walnut Creek, California 94597, telephone (925) 944-6850. 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 District received authorization at an election held on November 5, 2002, by a more than the requisite 55% vote of the qualified electors, to issue general obligation bonds in a principal amount not to exceed $20,000,000 (the "Authorization").

In 2003, the County Board, acting on behalf of the District, issued an initial series of bonds under the Authorization, the $7,000,000 Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series A.

In 2005, the County Board, acting on behalf of the District, issued a second series of bonds under the Authorization, the $5,000,000 Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series B.

In 2007, the County Board, acting on behalf of the District, issued a third series of bonds under the Authorization, the $4,000,000 Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series C, leaving bonds of the Authorization in the principal amount of $4,000,000 unissued.

The Series D Bonds represent the fourth and the Series E Bonds represent the fifth and final series of bonds issued under the Authorization.

The Series D Bonds are being issued by the County on behalf of the District, pursuant to the California Constitution, the Authorization and California law, including, but not limited to, section 15100 *et seq.* and section 15140 *et seq.* of the California Education Code. The District Board adopted its Resolution No. 09-10-24 on April 12, 2010, requesting the issuance by the County Board of the Series D Bonds ("Series D District Resolution"), and the County Board adopted its Resolution No. 2010/204 on April 27, 2010, authorizing the issuance of the Series D Bonds (the "Series D County Resolution" and, with the Series D District Resolution, the "Series D Resolutions").

The Series E Bonds are being issued by the County on behalf of the District, pursuant to the California Constitution, the Authorization and California law, including, but not limited to, section 15100 *et seq.* and section 15140 *et seq.* of the California Education Code. The District Board adopted its Resolution No. 09-10-25 on April 12, 2010, requesting the issuance by the County Board of the Series E Bonds ("Series E District Resolution"), and the County Board adopted its Resolution No. 2010/205 on April 27, 2010, authorizing the issuance of the Series E Bonds (the "Series E County Resolution" and, with the Series E District Resolution, the "Series E Resolutions," and together with the Series D Resolutions, the "Resolution").

Description of the Bonds

The Bonds will be dated their date of issuance (the "Date of Issuance") will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of beneficial ownership interests in the Bonds from participants in the DTC system will not receive certificates representing their interest in the Bonds.

Interest on the Series D Bonds will accrue from the Date of Issuance, payable semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2011, at the annual interest rates shown on the inside cover hereof. The Series D Bonds will be issued in denominations of $5,000 or any integral multiple thereof and 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 the Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the fifteenth day prior to the initial Interest Payment Date, in which event it will bear interest from the Date of Issuance, computed using a year of 360 days, comprised of twelve 30-day months. If at the time of authentication of any Series D Bond, interest is then in default on outstanding Series D Bonds, such Series D Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Series E Bonds will be delivered in denominations such that the accreted value of each such Series E Bond on the stated maturity date thereof will be $5,000 or an integral multiple thereof and will increase in value by the accumulation of earned interest from their original principal amount on the date of issuance thereof to their stated accreted value at maturity, as shown in APPENDIX E—"TABLE OF ACCRETED VALUES FOR SERIES E BONDS." The Series E Bonds will not bear current interest. Interest on the Series E Bonds will be compounded semiannually on March 1 and September 1 of each year, commencing September 1, 2010. **No payments are due to the owners of the Series E Bonds until the maturity dates of the respective Series E Bonds.**

The principal or accreted value and interest, if applicable, on the Bonds is payable in lawful money of the United States of America without deduction for the services of the Paying Agent (hereinafter defined). Interest on the Series D Bonds will be paid on each Interest Payment Date by check mailed by first class mail to the person in whose name the Series D Bond is registered, and to that person's address appearing on the Bond Register on the Record Date. The Owner of an aggregate principal amount of the Series D Bonds of $1,000,000 or more may request, in writing, prior to the close of business on the 15th day of the month preceding each Interest Payment Date, to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the 15th day of the month preceding the Interest Payment Date (a "Record Date").

Payments of principal and redemption premiums, if any, with respect to the Bonds will be payable at maturity or redemption upon surrender at the office of the Paying Agent in San Francisco, California, or such other location as the Paying Agent will designate to the County and the District in writing. See the Maturity Schedules on the inside cover and "THE BONDS—Debt Service Schedules."

Paying Agent

Payments of the principal or accreted value and interest, if applicable, on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A. as the designated paying agent, registrar, authentication agent, and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System." As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC.

The District may remove the Paying Agent, and may appoint a successor or successors thereto, but any such successor must be a bank or trust company organized under the laws of the state of California, of any state or the United States, a national banking association or any other financial institution, having capital stock and surplus aggregating to at least $50,000,000.

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

Purpose of Issue

Proceeds of the Bonds will be used by the District to improve school facilities, including updating safety and security systems, improving building exteriors and grounds for safety, updating the technology infrastructure, renovating fields, and other projects listed in District's project list disclosed to the voters.

Book-Entry-Only System

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 certificate will be issued for maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX D—"BOOK-ENTRY SYSTEM."

Optional Redemption

Series D Bonds. The Series D Bonds maturing on or before September 1, 2020, are not subject to redemption prior to their maturity dates. The Series D Bonds maturing on or after September 1, 2021, are subject to redemption at the option of the District, as a whole or in part, from any source of available funds, on September 1, 2020, or on any date thereafter at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium.

Series E Bonds. The Series E Bonds are not subject to optional redemption prior to their maturity dates.

Selection of Bonds for Redemption

Whenever less than all of the outstanding Bonds are to be redeemed, the Paying Agent will select the Bonds to be redeemed as so directed by the District, and if not so directed in inverse order of maturity; and within a maturity, the Paying Agent will select Bonds for redemption by lot. Redemption by lot will be in such manner as the Paying Agent will determine; *provided, however*, that the portion of any Series D Bond to be redeemed in part will be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District. Notice of redemption of the Bonds is required to be mailed by the Paying Agent, first class postage prepaid, to the respective Owners of any Bonds designated for redemption at their address appearing on the Bond Register required to be kept by the Paying Agent, not less than 30 nor more than 60 days prior to the redemption date.

Such notice will specify: (a) that the Bonds or a designated portion thereof are to be redeemed; (b) if less than all of the then outstanding Bonds are to be called for redemption, will designate the numbers (or state that all Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP numbers, if any, 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 and the specific Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such notice will further state that on the specified date there will become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued, to the date of redemption, and redemption premium, if any, and that from and after such date interest with respect thereto will cease to accrue. Neither failure to receive nor failure to send any notice of redemption nor any defect in any such redemption notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds.

Contingent Redemption; Rescission of Redemption

Any Redemption Notice may specify that redemption of the Bonds designated for redemption on the specified date will be subject to the receipt by the District of monies sufficient to cause such redemption (and will specify the proposed sources of such monies), and neither the District or the County will have any liability to the Owners of any Bonds, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient monies therefor.

Additionally, the District may rescind any optional redemption of the Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond 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. Neither the District or the County will have any liability to the Owners of any Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Bonds pursuant to the provisions of this subsection.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal to the unredeemed portion of the Bond surrendered. Such partial redemption will be valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption

If notice of redemption has been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) have been set aside in the District's corresponding Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption. If on the redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, are held by the Paying Agent so as to be available therefor on the redemption date, and if notice of redemption thereof has been given as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed. All Bonds paid at maturity or redeemed prior to maturity under the Resolution will be cancelled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District will be cancelled by the Paying Agent upon surrender and by order of the District.

Purchase In Lieu of Redemption

In lieu of, or partially in lieu of, any mandatory sinking fund redemption of Bonds, monies in the corresponding Debt Service Fund may be used to purchase the outstanding Bonds that were to be redeemed with such funds. Purchases of outstanding Bonds may be made by the District through the Paying Agent prior to the selection of Bonds for redemption at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest. Any accrued interest payable upon such purchase of Bonds may be paid from the corresponding Debt Service Fund for payment of interest on the next following Interest Payment Date for such series of Bonds.

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District will cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond will be made only to or upon the order of that person; neither the District, the County 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.

Bonds may be exchanged for Bonds of like series, tenor, maturity and principal amount upon presentation and surrender at the principal corporate trust 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. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds will be required to be made (a) fifteen days prior to a Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Events of Default and Remedies

The following shall be "events of default" under the Resolution:

(a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

(d) if the District shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Upon an event of default, any Bondowner shall have the right, for the equal benefit and protection of all Bondowners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners' rights; or

(c) upon the happening of any event of default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

No remedy conferred upon the Owners of Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy conferred on the Bondowners.

Defeasance

Discharge of Resolution. Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Bonds Outstanding; or

(iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the District shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolution and other assets made under the Resolution and all covenants, agreements and other obligations of the District under the Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Resolution. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of the Resolution shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (as defined in the Resolution) (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of the Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed after the payment is due (whether at maturity or upon call for redemption as provided in the Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the District free from the trusts created by the Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series D Bonds are as

Sources of Funds:	
Principal Amount of Series D Bonds	
Plus: Original Issue Premium	
Less: Costs of Issuance (1)	
Total Sources of Funds	
Uses of Funds:	
Deposit to Building Fund	
Deposit to Debt Service Fund	
Total Uses of Funds	

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

The estimated sources and uses of funds in connection with the Series E Bonds are as

Sources of Funds:	
Principal Amount of Series E Bonds	
Plus: Original Issue Premium	
Less: Costs of Issuance (1)	
Total Sources of Funds	
Uses of Funds:	
Deposit to Building Fund	
Deposit to Debt Service Fund	
Total Uses of Funds	

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

Debt Service Schedules

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

Period Ending (September 1)	Principal*	Interest	Total
2010	—		
2011	—		
2012	—		
2013	—		
2014	—		
2015	—		
2016	—		
2017	—		
2018	—		
2019	—		
2020	—		
2021	—		
2022	—		
2023	—		
2024	$1,000,000		
2025	1,000,000		
	$2,000,000		

The following table shows the debt service schedule with respect to the Series E Bonds.

Maturity (September 1)	Original Principal Amount*	Accreted Value
2014		$ 30,000
2015		50,000
2016		65,000
2017		120,000
2018		130,000
2019		160,000
2020		140,000
2021		215,000
2022		1,160,000
2023		1,560,000
		$3,630,000

CONTRA COSTA COUNTY INVESTMENT POOL

This section provides a general description of the Contra Costa County (the "County") investment policy, current portfolio holdings, and valuation procedures. The information has been adapted from material prepared by the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County, 625 Court Street, Room 100, Martinez, CA 94553, telephone: (925) 957-2850.

Funds held by the County in the Investment Pool (the "County Pool") are invested in accordance with the County's Statement of Investment Policy prepared by the County Treasurer-Tax Collector (the "Treasurer") as authorized by section 53601 of the Government Code of California.

The County Pool represents moneys entrusted to the Treasurer by the County and schools and special districts within the County. State law requires that all moneys of the County, school districts, and certain special districts be held by the Treasurer.

Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to participants based on the average daily balance.

The Treasurer's Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made.

Funds on deposit with the Treasurer are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, no single investment of operating funds can exceed five years.

The book value of the Portfolio structure of the County Pool as of December 31, 2009, was as follows:

PORTFOLIO STATISTICS
Contra Costa County
As of December 31, 2009

Type	Par Value	Cost	Fair Value	Total Cost
A. **Investments Managed by Treasurer's Office**				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$25,451,000.00	$25,003,248.93	$25,579,586.03	1.25%
2. U.S. Agencies				
Federal Agriculture Mortgage Corporation	6,751,000.00	7,032,398.93	7,131,002.19	0.35%
Federal Home Loan Banks	125,109,000.00	126,674,978.15	127,731,660.00	6.31%
Federal National Mortgage Association	86,318,000.00	86,305,276.19	86,808,549.06	4.30%
Federal Farm Credit Banks	14,582,000.00	14,925,873.17	15,053,515.01	0.74%
Federal Home Loan Mortgage Corporation	73,046,000.00	73,615,996.56	73,480,599.91	3.67%
Municipal Bonds	1,000,000.00	1,000,000.00	1,000,000.00	0.05%
Subtotal	306,806,000.00	309,554,523.00	311,205,326.17	15.43%
3. Money Market Instruments				
Bankers Acceptances	9,291,930.00	9,277,271.30	9,286,827.25	0.46%
Repurchase Agreement	200,000,000.00	200,000,000.00	200,000,000.00	9.97%
Commercial Paper	458,587,000.00	458,435,742.29	458,475,102.23	22.85%
Negotiable Certificates of Deposit	215,825,000.00	215,825,000.00	215,873,293.41	10.76%
Corporate Notes	33,587,000.00	33,681,289.35	33,388,412.48	1.68%
Time Deposit	3,076.96	3,076.96	3,076.96	0.00%
Subtotal	917,294,006.96	917,222,379.90	917,026,712.33	45.72%
TOTAL	1,249,551,006.96	1,251,780,151.83	1,253,811,624.53	62.40%
B. Investments Managed by Outside Contractors				
1. Local Agency Investment Fund	433,215,632.08	433,215,632.08	433,626,244.69	21.60%
2. Other				
a. California Asset Management Program (RDA)	29,295.47	29,295.47	29,345.94	0.00%
b. Miscellaneous (BNY, Mechanics, CCFCU)	421,362.24	421,362.24	387,194.07	0.02%
c. Wells Fargo Asset Management (324-131235)	45,021,754.00	45,346,263.50	45,308,623.51	2.26%
d. Columbia Management Group (Bank of America)	38,369,794.00	38,774,448.00	38,649,158.00	1.93%
e. CalTRUST	138,492,332.21	138,492,332.21	138,419,270.44	6.90%
Subtotal	222,334,537.92	223,063,701.42	222,793,591.96	11.12%
TOTAL	655,550,170.00	656,279,333.50	656,419,836.65	32.72%
C. Cash	97,927,754.05	97,927,754.05	97,927,754.05	4.88%
GRAND TOTAL	$2,003,028,931.01	$2,005,987,239.38	$2,008,159,215.23	100.00%

The portfolio is in compliance with the County's Investment Policy. The investments in the County Pool are scheduled to mature at the times and in the amounts necessary to meet the County's expenditures and other scheduled withdrawals.

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 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

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value," and provides that such tax will 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 or more 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 two-thirds of the voters of the District, but only if certain accountability measures are included in the proposition as provided by Proposition 39. The tax for payment of the Bonds falls within the exception for bonds approved by a 55% vote. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

Article XIIIA has subsequently been amended to permit reduction of "full cash value" in the event of declining property values caused by substantial damage, destruction or other factors, to provide that there would be no increase in "full cash value" in the event of reconstruction of property damaged or destroyed in a disaster, and in various other minor or technical ways.

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 claims on tax increment, if any, 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.

All taxable property is 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.

Article XIIIB of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations," was approved on November 6, 1979, thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB State and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit was originally to be based on certain Fiscal Year 1978-79 expenditures, and adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any consecutive two-year period exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIIIB were modified by Proposition 111 in 1990 (see "—Proposition 111" below).

Proposition 98

On November 8, 1988, California 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 or (b) the amount actually appropriated to such districts from the State 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. The current level of guaranteed funding pursuant to Proposition 98 is approximately 35% of the State general fund.

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.

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 State 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. (See "EFFECT OF STATE BUDGET ON REVENUES" and "DISTRICT FINANCIAL INFORMATION.")

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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 is 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 new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the current nine cents per gallon level, 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.

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) a certain percentage 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 (defined below), 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 capita 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 (the "third test"). 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 218

An initiative measure entitled "Right to Vote on Taxes Act," also known as Proposition 218 ("Proposition 218"), was approved by California voters at the November 5, 1996, statewide general election, and became effective on November 6, 1996. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, and all references herein to Articles XIIIC and XIIID are references to the text as set forth in Proposition 218.

Among other things, Article XIIIC establishes that every tax imposed by a local government is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The Bonds represent a contract between the District and the bondholder secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to pay the Bonds.

The interpretation and application of Proposition 218 and the United States Constitution's contracts clause may ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "Proposition 39") to the California Constitution. This amendment (1) allows school facilities' bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approved by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978, except with respect to Proposition 39.

The 55% vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district), per $100,000 of taxable property value. 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.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see " –Proposition 98" and "–Proposition 111" above.

Future Initiatives and Legislation

Propositions 98, 111 and 218 were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, the City, the District or local districts to increase revenues or to increase appropriations.

TAX BASE FOR REPAYMENT OF 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.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same rolls as special district property taxes. Assessed valuations are the same for the taxing purposes of both the District and the County.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and 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 public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus a $10 cost on the second installment. Property on the secured roll with delinquent taxes is sold to the State on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and is then subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

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

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor of the County, 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. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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.

The table below shows the assessed valuation in the District for fiscal years 2005-06 to 2009-10.

HISTORIC ASSESSED VALUATIONS
Walnut Creek School District

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2005-06	$7,847,105,683	$ 0	$319,492,770	$8,166,598,453	6.13%
2006-07	8,588,185,978	0	334,829,962	8,923,015,940	9.26
2007-08	9,198,706,659	0	337,606,315	9,536,312,974	6.87
2008-09	9,558,041,127	0	365,771,555	9,923,812,682	4.06
2009-10	9,643,981,463	0	348,579,011	9,992,560,474	0.69

Source: California Municipal Statistics, Inc.

The table below shows the assessed valuation and parcels in the District by land use:

ASSESSED VALUATION AND PARCELS BY LAND USE
Walnut Creek School District

	2009-10 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	$2,469,587,326	25.61%	629	3.57%
Vacant Commercial	19,766,011	0.20	27	0.15
Industrial	46,375,813	0.48	16	0.09
Recreational	63,344,646	0.66	11	0.06
Government/Social/Institutional	16,159,570	0.17	634	3.60
Subtotal Non-Residential	$2,615,233,366	27.12%	1,317	7.48%
Residential:				
Single Family Residence	$3,617,209,184	37.51%	7,870	44.69%
Condominiums/Townhouse	2,160,239,702	22.40	7,822	44.42
Cooperatives (2)	438,827,113	4.55	68	0.39
2-4 Residential Units	138,793,985	1.44	312	1.77
5+ Residential Units/Apartments	672,570,489	6.97	147	0.83
Vacant Residential	1,107,624	0.01	75	0.43
Subtotal Residential	$7,028,748,097	72.88%	16,294	92.52%
Total	$9,643,981,463	100.00%	17,611	100.00%

Source: California Municipal Statistics, Inc.
(1) Total Secured Assessed Valuation; excluding tax-exempt property.
(2) The 68 cooperative parcels contain approximately 3,368 residential units.

Per Parcel 2009-10 Assessed Valuation of Single Family Homes

	No. of Parcels	2009-10 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	7,870	$3,617,209,184	$459,620	$418,886

2009-10 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	1,022	12.986%	12.986%	$ 78,021,146	2.157%	2.157%
$100,000 - $199,999	963	12.236	25.222	134,413,258	3.716	5.873
$200,000 - $299,999	837	10.635	35.858	210,652,285	5.824	11.696
$300,000 - $399,999	909	11.550	47.408	317,986,166	8.791	20.487
$400,000 - $499,999	1,019	12.948	60.356	458,829,243	12.685	33.172
$500,000 - $599,999	774	9.835	70.191	423,526,246	11.709	44.881
$600,000 - $699,999	736	9.352	79.543	477,160,231	13.191	58.072
$700,000 - $799,999	571	7.255	86.798	426,432,527	11.789	69.861
$800,000 - $899,999	353	4.485	91.283	298,164,390	8.243	78.104
$900,000 - $999,999	225	2.859	94.142	211,891,895	5.858	83.962
$1,000,000 - $1,099,999	140	1.779	95.921	145,260,690	4.016	87.978
$1,100,000 - $1,199,999	77	0.978	96.900	88,174,211	2.438	90.415
$1,200,000 - $1,299,999	86	1.093	97.992	106,741,761	2.951	93.366
$1,300,000 - $1,399,999	47	0.597	98.590	62,774,995	1.735	95.102
$1,400,000 - $1,499,999	40	0.508	99.098	57,640,675	1.594	96.695
$1,500,000 - $1,599,999	31	0.394	99.492	47,600,293	1.316	98.011
$1,600,000 - $1,699,999	18	0.229	99.720	29,357,977	0.812	98.823
$1,700,000 - $1,799,999	10	0.127	99.848	17,179,938	0.475	99.298
$1,800,000 - $1,899,999	3	0.038	99.886	5,515,331	0.152	99.450
$1,900,000 - $1,999,999	2	0.025	99.911	3,875,000	0.107	99.557
$2,000,000 and greater	7	0.089	100.000	16,010,926	0.443	100.000
Total	7,870	100.000%		$3,617,209,184	100.000%	

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

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area ("TRA") within the District from fiscal year 2005-06 to fiscal 2009-10.

DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES
Walnut Creek School District

Typical Total Tax Rates (TRA 0900/ 2009-10 Assessed Valuation: $5,509,862,096)

	2005-06	2006-07	2007-08	2008-09	2009-10
County-wide Rate (a)	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit District	0.0048	0.0050	0.0076	0.0090	0.0057
East Bay Regional Park District	0.0057	0.0085	0.0080	0.0100	0.0108
Acalanes High School District	0.0279	0.0292	0.0259	0.0289	0.0298
Walnut Creek School District	0.0230	0.0218	0.0222	0.0265	0.0166
Contra Costa Community College	0.0047	0.0043	0.0108	0.0066	0.0126
TOTAL	1.0661%	1.0688%	1.0745%	1.0810%	1.0755%

Source: California Municipal Statistics, Inc.
(a) 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 the District.

WALNUT CREEK SCHOOL DISTRICT
Secured Tax Charge and Delinquency

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005-06	$1,782,192.35	$13,454.08	0.75%
2006-07	1,850,356.05	20,146.06	1.09
2007-08	2,015,459.12	34,494.15	1.71
2008-09	2,502,969.39	49,101.14	1.96

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

Under the Teeter Plan (described below), the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County does include the secured, but not the unsecured, ad valorem tax levy for the District's general obligation bonds under the Teeter Plan. See "TAX BASE FOR REPAYMENT OF BONDS—Alternative Method of Tax Apportionment."

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. Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

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. 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.

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 2009-10, representing 17.26% of the total assessed valuation.

FISCAL YEAR 2009-10 LARGEST LOCAL SECURED TAXPAYERS
Walnut Creek School District

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1.	First Walnut Creek Mutual	Cooperatives – Rossmoor	$ 238,923,908	2.48%
2.	Second Walnut Creek Mutual	Cooperatives – Rossmoor	184,523,028	1.91
3.	Legacy III Walnut Creek I LLC	Office Building	121,723,364	1.26
4.	Macerich Northwest Associates	Shopping Center/Mall	103,533,851	1.07
5.	Rreef America REIT II Corp.	Office Building	98,393,082	1.02
6.	CA Plaza @ Walnut Creek Inc.	Office Building	85,337,691	0.88
7.	Escuela Shopping Center LLC	Shopping Center/Mall	78,476,326	0.81
8.	Property Calif. SCJLW One Corp.	Office Building	74,574,707	0.77
9.	SVF Oak Road Walnut Creek Corp.	Office Building	73,679,700	0.76
10.	Tishman Speyer Archstone-Smith	Apartments	66,727,966	0.69
11.	California State Teachers Retirement System	Office Building	66,022,813	0.68
12.	ASN Bay Landing LLC	Apartments	61,562,088	0.64
13.	Northwestern Mutual Life Insurance Co.	Office Building	61,166,022	0.63
14.	CA-Treat Towers LP	Office Building	56,308,119	0.58
15.	PK II Walnut Creek	Movie Theater & Commercial	55,141,200	0.57
16.	Robert & Rosemary Lucas	Office Building	53,769,300	0.56
17.	Growers Square Inc.	Office Building	50,466,502	0.52
18.	James & Mei Fong Tong	Hotel	46,130,482	0.48
19.	1450 Treat Boulevard Inc.	Office Building	45,182,735	0.47
20.	Ashford Walnut Creek LP	Hotel	43,335,424	0.45
			$1,664,978,308	17.26%

Source: California Municipal Statistics, Inc.
(1) 2009-10 Local Secured Assessed Valuation: $9,643,981,463

THE DISTRICT

General Information

The District includes most of the City of Walnut Creek and the surrounding unincorporated area of Contra Costa County, and provides educational services to the residents of the City of Walnut Creek (the "City"). The District operates five elementary (K-5) schools and one middle (6-8) school. The estimated population of the District is 52,723.

Board of Education

The District is governed by a Board of Education 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 of Schools. Patricia Wool, Ed.D., has served in this capacity since July, 2007.

Name	Position	Expiration of Term
Angela P. Borchardt	President	December 2010
Arthur M. Clarke	Clerk	December 2012
Katie Peña	Member	December 2012
Barbara S. Pennington	Member	December 2010
Dan B. Walden	Member	December 2010

Average Daily Attendance and Base Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance for the District.

AVERAGE DAILY ATTENDANCE
(Second Period Report)
Walnut Creek School District

Fiscal Year	Average Daily Attendance
2004-05	3,210
2005-06	3,156
2006-07	3,065
2007-08	3,053
2008-09	3,167
	Projected
2009-10	3,177
2010-11	3,221

Source: Walnut Creek School District

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of $120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is *not* a Basic Aid district. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of School Districts."

Employee Relations

Currently the District employs 160.9 full-time equivalent (FTE) certificated employees, 90.4 FTE classified employees and 10 management employees. There are two formal bargaining units operating in the District which are described in the table below.

LABOR ORGANIZATIONS
Walnut Creek School District

Labor Organization	Number of Employees	Contract Expiration
Walnut Creek Education Association (certificated)	174	June 30, 2010
California Schools Employees Association (classified)	131	June 30, 2010

Source: Walnut Creek School District

District Retirement Systems

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

Public Employees' Retirement System (PERS)

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

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2008-09 was 9.428%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2008-09	$292,844	100%
2007-08	334,167	100
2006-07	297,164	100

State Teachers' Retirement System (STRS)

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

Funding Policy. Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2008-09	$1,067,862	100%
2007-08	1,096,514	100
2006-07	1,049,591	100

Other Post Employment Benefits

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
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	55
Dependent coverage	Yes	Yes	Yes	Yes	Yes
District coverage	Capped	Capped	Capped	Capped	Capped
District cap	$150/mo.*	$200/mo.	$502/mo.*	$502/mo.*	$150/mo

*Applies after 5 years of benefits paid at full rate up to existing cap for active employees.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued. The District had 269 active employee participants and 29 retiree participants as of October 1, 2007, the effective date of the biennial OPEB valuation.

The District currently pays for post employment health care benefits on a pay-as-you-go basis and these financial statements assume that pay-as-you-go funding will continue.

Annual Other Post Employment Benefit Cost: For the fiscal year ended June 30, 2009, the District's Annual OPEB Cost (i.e. expense) of $195,260 is equal to the Annual Required Contribution for the initial year. Considering the District's annual OPEB cost as well as the payment of current health insurance premiums, which totaled $113,519, the result was an increase in the District's Net OPEB Obligation of $81,741 for the year ended June 30, 2009.

Insurance Programs

The District maintains insurance with Schools Insurance Group, with such retentions and other terms providing coverage for property damage, fire and theft, general public liability and workers' compensation as the District believes are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.

Worker's compensation insurance is obtained through Schools Insurance Group.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an *ad valorem* tax levied for the payment thereof by the County. See "THE BONDS—Security."

District Budget

The District is required by provisions of the California 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.

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. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before September 15, the county superintendent will 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 September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the 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. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For all dual budget options and for single and dual budget option 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 section 42127.1 of the California Education Code. 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 subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under current law, the District Board of Education approves an adopted budget by July 1 of each fiscal year. The following table is derived from the District's actual audited budget for fiscal year 2008-09 and the second interim adopted budget for fiscal year 2009-10.

GENERAL FUND BUDGET
Fiscal Years 2008-09 and 2009-10
Walnut Creek School District

	Fiscal Year 2008-09 Actual	Fiscal Year 2009-10 Second Interim
Revenues:		
Revenue limit sources	$17,209,110	$15,133,913
Federal sources	1,669,791	1,670,552
Other State sources	2,880,746	2,514,165
Other Local sources	3,595,013	3,496,908
Total revenues	$25,354,660	$22,815,538
Expenditures:		
Certificated salaries	13,173,521	12,871,504
Classified salaries	3,334,910	3,115,558
Employee benefits indirect/direct support costs	3,719,805	3,665,162
Books & Supplies	905,545	1,539,484
Contract Services & Operating	2,629,880	2,907,225
Capital Outlay	36,134	56,000
Other Outgo	287,328	326,800
Transfers of Indirect/Direct support costs	—	—
Total expenditures	$24,087,123	$24,481,733
Excess of revenues over expenditures	1,267,537	(1,666,195)
Other financing sources (uses):		
Operating transfers in	—	631,627
Operating transfers out	—	—
Total other financing sources (uses)	—	631,627
Beginning Balance	$5,341,846	$6,675,564
Audit Adjustment	66,171	—
Ending Balance	$6,675,564	$5,640,986

Source: Walnut Creek School District

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 legally authorized activities of the District for which restricted funds are not provided. 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, 2009, 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, 94596, telephone number (925) 944-6850. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. The District's audited financial statements for the year ended June 30, 2009, are included in Appendix A hereto.

COMPARATIVE FINANCIAL DATA—GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2005, 2006, 2007, 2008 AND 2009
Walnut Creek School District

BALANCE SHEET

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
ASSETS					
Deposits and Investments	$2,690,569	$3,037,087	$5,138,511	$4,312,385	$5,289,267
Receivables	1,194,966	1,021,536	929,193	1,474,951	1,722,200
Stores Inventories	16,153	12,865	6,267	5,359	6,564
Prepaid Expenses	—	6,840	—	—	—
Total Assets	3,901,688	4,078,328	6,073,971	5,792,695	7,018,031
LIABILITIES:					
Accounts payable	328,424	403,981	883,679	393,288	294,164
Deferred revenue	214,772	34,441	54,969	57,561	114,484
Due to other funds	—	—	—	—	—
Total Liabilities	543,196	438,422	938,648	450,849	408,648
FUND BALANCE	$3,358,492	$3,639,906	$5,135,323	$5,341,846	$6,609,383

Source: Walnut Creek School District audited financial statements.

COMPARATIVE FINANCIAL DATA - GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2005, 2006, 2007, 2008 AND 2009
Walnut Creek School District

INCOME AND EXPENSE STATEMENT

	Fiscal Year				
REVENUES	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Limit Sources:					
State Apportionments	$ 2,404,299	$ 2,352,170	$ 2,459,817	$ 2,128,280	$ 1,777,300
Local Sources	12,746,867	13,540,561	14,363,571	14,937,306	15,431,810
Federal Sources	740,005	869,948	784,323	715,988	1,669,791
Other State Sources	2,647,746	2,926,787	3,711,568	3,106,959	2,880,746
Other Local Sources	3,029,807	3,669,212	3,965,107	4,269,222	3,595,013
Total Revenues	21,568,724	23,358,678	25,284,386	25,157,755	25,354,660
EXPENDITURES					
Certificated salaries	11,943,325	12,433,329	12,959,331	13,493,158	13,173,521
Classified salaries	3,097,419	3,388,023	3,635,226	3,815,007	3,334,910
Employee benefits	3,411,022	3,580,083	3,598,242	3,932,232	3,719,805
Books and supplies	770,293	842,933	874,784	858,109	905,545
Contract services &operating expenses	2,340,667	2,124,913	2,482,482	2,539,642	2,629,880
Capital outlay	98,653	62,311	33,917	29,493	36,134
Other outgo	263,265	202,221	213,318	204,597	287,328
Allocation of Indirect Costs	—	—	—	—	—
Debt service	—	—	—	—	—
Total Expenditures	21,924,644	22,633,813	23,797,300	24,872,238	24,087,123
Excess (deficiency) of revenues over (under) expenditures:	(355,920)	724,865	1,487,086	285,517	1,267,537
Other financing sources					
Operating transfers in	175,654	178,000	143,107	150,174	—
Operating transfers out	(125,654)	(621,451)	(134,776)	(229,168)	—
Other Sources	536,483	—	—	—	—
Total financing sources (uses)	586,483	(443,451)	8,331	(78,994)	—
Net change in fund balances	230,563	281,414	1,495,417	206,523	1,267,537
Fund Balance, July 1	3,127,929	3,358,492	3,639,906	5,135,323	5,341,846
Fund Balance, June 30	3,358,492	3,639,906	5,135,323	5,341,846	6,609,383

Source: Walnut Creek School District audited financial statements.

Revenue Sources

The District categorizes its general fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the actual daily attendance for such district by (2) a base revenue limit per unit of average daily attendance ("A.D.A."). The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The revenue limit sources comprised approximately 68% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 66% of such revenues in fiscal year 2009-10.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 6.6% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 7.3% of such revenues in fiscal year 2009-10.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues comprised approximately 11.4% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 11.0% of such revenues in fiscal year 2009-10.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as a parcel tax, interest earnings, transportation fees, leases and rentals, special education support and other local sources. Other local revenues comprised approximately 14.2% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 15.3% of such revenues in fiscal year 2009-10.

Debt Obligations

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective April 1, 2010. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the 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 contents of the Debt Report are as follows: (1) the first column indicates the public agencies that have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Walnut Creek School District
As of March 1, 2009

2009-10 Assessed Valuation:	$9,992,560,474
Redevelopment Incremental Valuation:	714,783,617
Adjusted Assessed Valuation:	$9,277,776,857

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/10
Bay Area Rapid Transit District	2.125%	$ 8,925,000
Contra Costa Community College District	7.189	12,422,233
Acalanes Union High School District	40.261	47,784,862
Walnut Creek School District	**100.**	**30,545,000** (1)
East Bay Regional Park District	3.238	6,500,771
California Statewide Community Development Authority Community Facilities District No. 2000-1	100.	5,923,810
Contra Costa County Community Facilities District No. 1991-1	7.230	207,484
Contra Costa County Reassessment District No. 93-5	50.000	107,976
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$112,417,136
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	7.162%	$20,379,829
Contra Costa County Pension Obligations	7.162	33,335,887
Contra Costa Community College District Certificates of Participation	7.189	75,485
City of Walnut Creek General Fund Obligations	54.735	566,507
Pleasant Hill Recreation and Park District Certificates of Participation	0.046	1,136
Contra Costa Fire Protection District Pension Obligations	16.142	19,399,456
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$73,758,300
Less: Contra Costa County Obligations supported by revenue funds		9,479,718
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$64,278,582
GROSS COMBINED TOTAL DEBT		$186,175,436 (2)
NET COMBINED TOTAL DEBT		$176,695,718

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Direct Debt ($30,545,000).. 0.31%
Total Direct and Overlapping Tax and Assessment Debt........ 1.13%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt 2.01%
Net Combined Total Debt 1.90%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

Parcel Tax

On March 6, 2001, 66.9% of District voters authorized a qualified special tax. The District collects $41 per parcel annually to be used for various educational program enhancements throughout the District. On November 3, 2009, the District voters authorized an increase in the parcel tax to $82 per parcel, without expiration date. The District received parcel tax revenues of $1,232,557 in fiscal year 2008-09 and expects to receive approximately $1,240,000 in fiscal year 2009-10. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS—Articles XIIIC and XIIID" and "—Future Initiatives."

District Debt

General Obligation Bonds. The District received authorization from voters in March 1995 to issue $21 million in general obligation bonds. Bonds were issued in 1995, 1997, 1998 and 2000 under this authorization. The 1995 and 1997 bonds were partially refunded in 2003. The 1998 Bonds and the 2000 Bonds were partially refunded in 2007. Bonds outstanding under this authorization are listed below.

Under the 2002 Authorization, three series of bonds have been issued. The fourth series is represented by the Series D Bonds and the fifth and last series is represented by the Series E Bonds. See "THE BONDS—Authority for Issuance" and "THE BONDS — Debt Service" herein.

The following table reflects the District's outstanding general obligation bonds as of April 1, 2010:

WALNUT CREEK SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of January 1, 2010

Date Issued	Series	Amount of Original Issue	Outstanding 4/1/2010
3/12/2003	2003 Refunding Bonds	$ 9,170,000	$ 7,985,000
4/4/2007	2007 Refunding Bonds	8,625,000	7,710,000
3/12/2003	Election of 2002, Series A	7,000,000	6,375,000
3/31/2005	Election of 2002, Series B	5,000,000	4,555,000
4/4/2007	Election of 2002, Series C	4,000,000	3,920,000
		$33,795,000	$30,545,000

Source: The District.

The annual requirements to amortize all general obligation bonds payable, outstanding following the issuance of the Bonds, are as follows:

WALNUT CREEK SCHOOL DISTRICT
General Obligation Bonds – Debt Service

Year	Election of 1995		Election of 2002					Total
Ending	Refund 2003	Refund 2007	Series A (2005)	Series B (2006)	Series C (2007)	Series D (2010)	Series E (2010)	Debt Service
9/1/2010	$ 676,417.50	$729,518.76	$453,912.50	$303,225.00	$210,860.00			
9/1/2011	734,167.50	729,643.76	462,962.50	299,600.00	208,460.00			
9/1/2012	774,467.50	724,243.76	471,487.50	310,975.00	226,060.00			
9/1/2013	801,655.00	731,243.76	478,487.50	315,800.00	247,060.00			
9/1/2014	807,155.00	727,243.76	490,210.00	330,175.00	256,060.00			
9/1/2015	850,900.00	727,643.76	500,810.00	328,650.00	258,860.00			
9/1/2016	901,500.00	727,243.76	510,610.00	331,900.00	258,110.00			
9/1/2017	909,100.00	731,043.76	519,335.00	334,700.00	257,860.00			
9/1/2018	959,580.00	728,843.76	531,945.00	337,050.00	267,360.00			
9/1/2019	985,980.00	735,843.76	543,185.00	333,950.00	281,110.00			
9/1/2020	1,089,000.00	736,643.76	553,005.00	335,625.00	278,860.00			
9/1/2021	1,045,000.00	731,443.76	566,355.00	376,850.00	282,860.00			
9/1/2022	-	735,443.76	577,955.00	415,825.00	316,460.00			
9/1/2023	-	368,243.76	593,175.00	417,550.00	318,260.00			
9/1/2024	-	369,643.76	606,320.00	418,600.00	319,545.00			
9/1/2025	-	-	617,320.00	418,975.00	355,305.00			
9/1/2026	-	-	626,640.00	413,675.00	354,175.00			
9/1/2027	-	-	639,280.00	402,925.00	357,487.50			
9/1/2028	-	-	-	381,950.00	355,162.50			
9/1/2029	-	-	-	376,200.00	357,412.50			
9/1/2030	-	-	-	-	359,025.00			
9/1/2031	-	-	-	-	359,835.00			
9/1/2032	-	-	-	-	-			
9/1/2033	-	-	-	-	-			
9/1/2034	-	-	-	-	-			
9/1/2035	-	-	-	-	-			

All debt service payments on the bonds, including refunding bonds, are payable from an ad valorem tax levied and collected by the County on assessed property in the District.

EFFECT OF STATE BUDGET ON REVENUES

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. In the aggregate, the State General Fund provides approximately 58% of the estimated total statewide expenditures for K-12 education programs. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION—State Funding of Education"). State funds typically make up the majority of a district's revenue limit. For the District, the State portion of its revenue limit is only 4%. School districts also receive substantial funding from the State for various categorical programs. See "DISTRICT FINANCIAL INFORMATION—Financial Statements" for information regarding revenues received by the District from all State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

Education Provisions of the California State Budget. The Governor is required by the State Constitution to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a 2/3 vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to any such annual fluctuations. Information about the State budgeting process, the State Budget and State spending for education is available at various State-maintained websites, including (i) the State's website, where recent official statements for State bonds are posted; (ii) the California State Treasurer-Tax Collector's Internet home page which includes the State's audited financial statements, various State 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 State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts; (iii) the California Department of Finance's internet home page which includes the text of the budget and information regarding the State budget; and (iv) the State Legislative Analyst's office which prepares analyses of the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although the State sources of information listed above are believed to be reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

Recent State Budget Difficulties and Initiative Responses. 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. The State has also sought to avoid 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 permanently deferring year-end apportionments of Proposition 98 funds from one fiscal year to the next, to reduce the ending fiscal year's base; or by suspending Proposition 98, as the State did in 2004-05.

Existing settle-up obligations are estimated by the Legislative Analyst to total $4.3 billion, consisting of $1.3 billion for fiscal year 2005-06, $1.6 billion for fiscal year 2004-05, and $1.4 billion for prior years. Under current law, the obligations for the prior years, fiscal year 1995-96 through fiscal year 2003-04, will be repaid to the education budget at $150 million per year beginning in fiscal year 2006-07. The California Teachers' Association filed a lawsuit against Governor Schwarzenegger in 2005 seeking to force the State to fund schools the full amount of the outstanding obligations. The parties have agreed to a settlement of this dispute through additional annual funding of approximately $400 million for seven years, commencing in fiscal year 2007-08. Settlement funds are dedicated to class-size reduction, professional development, hiring counselors, and other specific expenditures for participating low-achieving schools.

Proposition 1A. Beginning in fiscal year 1992-93, the State has satisfied a portion of its Proposition 98 obligations by shifting part of the 1% local ad valorem 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. In response to a statewide ballot initiative sponsored by affected local agencies, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as "Proposition 1A" at the November 2004 election.

Proposition 1A is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Beginning in fiscal year 2008-09, the State will be able to divert up to 8% of local property tax revenues for State purposes (including, but not limited to, funding K through 12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency; (ii) two-thirds of both houses of the Legislature approve the action; (iii) the amount diverted is required by statute to be repaid within three years; (iv) the State does not owe any repayment to local agencies for past property tax or Vehicle License Fee diversions to local agencies; and (v) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, school and college districts that receive Proposition 98 funding from the State will be more directly dependent upon the State's general fund.

2008-09 Original Adopted State Budget. On September 24, 2008, Governor Schwarzenegger signed the State Budget for fiscal year 2008-09 (the "Original 2008-09 State Budget"). The Original 2008-09 State Budget endeavored to resolve the $24.3 billion budget deficit identified in the May 2008 revision to the Governor's proposed 2008-09 State Budget (which, prior to the enactment of the recent mid year cuts, was projected at approximately $41.6 billion (see "—State Fiscal Crisis" and "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below)). The Original 2008-09 State Budget projected general fund revenues for Fiscal Year 2007-08 of $103.027 billion and revenues for Fiscal Year 2008-09 of $101.991 billion, an increase of $1.837 billion in 2007-08 and a decrease of $996 million in 2008-09, compared to the May 2008 revision to the Governor's proposed 2008-09 State Budget.

While the Original 2008-09 State Budget did not resolve the State's persistent structural budget deficit, it included reform measures intended to put California on a path to fiscal stability. Expenditure reductions accounted for 47% of all the measures included in the Original 2008-09 State Budget and, as a result of these reductions, the Original 2008-09 State Budget held general fund spending to virtually no growth for the 2008-09 fiscal year, $103.4 billion in 2008-09 compared to $103.3 billion in 2007-08. The Original 2008-09 State Budget projected a modest reserve of $1.7 billion for the 2008-09 fiscal year, but projected a deficit of $1.0 billion in fiscal year 2009-10. However, the Governor, prior to the enactment of the recent mid year cuts, was projecting a $41.6 billion budget gap for 2008-09 and 2009-10 (see "—State Fiscal Crisis" and "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below), and is now projecting an additional $20.8 billion budget gap for 2008-09 and 2009-10 (see "—Legislative Analyst's Office 2009-2010 Budget Analysis" and "—2009-2010 May Revision – General Fund Proposals" below).

The Original 2008-09 State Budget provided for a plan to improve the State's cash management to smooth cash flow imbalances and reduce the amount of external cash flow borrowing the State needs to meet its cash needs. To smooth out cash flow imbalances, certain payments for certain programs, including education, are delayed during the year. While this will reduce the amount of external cash flow borrowing the State will require, it may increase the size and/or frequency of cash flow borrowings by school districts, including the District, passing the costs associated with such borrowings to the school districts.

The Original 2008-09 State Budget, included proposals that were required to be approved by a majority vote in the May 19, 2009 special election that included (i) mandating the sequestering of at least 3% of General Fund revenues into a "rainy day" fund, (ii) increasing the size of the "rainy day" fund over the next several years to an amount equal to 12.5% of each year's general fund revenues and strictly limiting the withdrawal of funds, (iii) giving the Governor the power to freeze and reduce spending mid-year in future downturns, and (iv) the securitization of a portion of future lottery revenues. All proposals failed to receive approval at the May 19, 2009 special election. The failure of these proposals has caused the State's 2009-10 budget to be further out of balance since the Budget Package (defined below) assumed their passage. See "—2009-10 May Revision – General Fund Proposals" below.

The Original 2008-09 State Budget provided for $58.1 billion in total K-14 Proposition 98 funding, of which $41.9 billion would be from the general fund. This total K-14 Proposition 98 funding was an increase of $1.5 billion, or 2.7% over the total Proposition 98 funding for 2007-08. The Original 2008-09 State Budget also provided the following for K-12 education (but see "—State Fiscal Crisis," "—2008-09 Mid-Year Cuts and 2009-10 State Budget," "—Legislative Analyst's Office 2009-2010 Budget Analysis" and "—2009-2010 May Revision – General Fund Proposals" below):

- **Per-pupil Spending**. Under the Original 2008-09 State Budget, total per-pupil expenditures from all sources were projected to be $12,042 in 2007-08 and $12,152 in 2008-09, including funds provided for prior year settle-up obligations. It should be noted that this was an indicator of the relative level of spending in California for support of K-12 education programs and not the actual level of funding allocated to each school for a pupil.

- **Cost-of-Living Adjustments**. The Original 2008-09 State Budget included $244.3 million for a 0.68% cost-of-living adjustment ("COLA") for school apportionments. Of this amount, $239.8 million was for school district revenue limits and $4.5 million was for county office of education revenue limits. No COLA was provided for categorical programs.

- **Proposition 98 Guarantee**. For fiscal year 2006-07, the Proposition 98 Guarantee was $55.2 billion, of which the general fund share was $41.4 billion. Local property taxes covered the balance. Proposition 98 general fund appropriations for 2007-08 were $41.6 billion. Total Proposition 98 funding for 2007-08 was $56.6 billion. Under the Original 2008-09 State Budget, the Proposition 98 funding for 2008-09 was projected to grow to $58.1 billion, of which $41.9 billion was to be from the general fund.

- **Property Taxes**. The Original 2008-09 State Budget reflected $14.4 billion in school district and county office of education property tax revenues in 2008-09, an increase of $1.0 billion over 2007-08. These estimates included the impact of redevelopment agency pass-through provisions enacted with the Original 2008-09 State Budget. A recent report by the State Controller's Office found that redevelopment agencies have not been passing through the full amount of property tax increment revenues to local taxing jurisdictions, including local education agencies, required under current law. As a result, legislation is included with the Original 2008-09 State Budget requiring redevelopment agencies to report all payments and obligations to local taxing jurisdictions for fiscal years 2003-04 through 2008-09 to the county auditor for verification. Redevelopment agencies are required to remit any outstanding obligations to local taxing jurisdictions, except that monies owed to schools that offset State costs for apportionments are to be deposited in the county Educational Revenue Augmentation Fund. Under the Original 2008-09 State Budget, this transfer was estimated to be $98 million in 2008-09.

- **Local Educational Agency Corrective Action Assistance**. Consistent with the requirements placed on the state and local educational agencies by the federal No Child Left Behind Act, the State Board of Education, in March 2008, approved individually differentiated sanctions and technical assistance for 97 local educational agencies. To ensure that local educational agencies have the financial wherewithal to implement these activities, the Original 2008-09 State Budget included $180 million federal Title I Set-Aside funds. Under the Original 2008-09 State Budget, local educational agencies were to receive one-time funding to implement a variety of improvements and reforms aimed at improving student achievement.

- **Emergency Repair Program**. The Original 2008-09 State Budget provided a $101 million transfer from the Proposition 98 Reversion Account to the Emergency Repair Account in satisfaction of the Williams settlement agreement. This increment of funding for the program would bring total transfers to $392 million for the purpose of funding school facility emergency repair projects. The Original 2008-09 State Budget suspended funding of the Emergency Repair Account in 2009-10.

- **Student and Teacher Longitudinal Data Systems**. The Original 2008-09 State Budget provided $25.4 million to support the development of the California Longitudinal Pupil Achievement Data System and related school information services workload. In addition, the Original 2008-09 State Budget provided $1.2 million in federal funds to support development of the California Teacher Integrated Data System.

- **Child Care**. The Original 2008-09 State Budget appropriated more than $3.3 billion for the various child care programs administered by the State Department of Education, including funding for preschool, general child care centers, family child care homes, CalWORKs child care and before- and after-school programs. Total funding included $338.3 million in one-time Proposition 98 resources to fully fund CalWORKs Stage 2 and Stage 3 child care. The Original 2008-09 State Budget also included $10.9 million for growth for non-CalWORKs child care programs. A total of approximately 915,000 child care slots were funded in the budget. The Original 2008-09 State Budget also updated the regional market rate ceilings for child care reimbursements for voucher-based programs at the 85th percentile of the rates charged to private pay clients for the same type of child care for the same age child in that region based on the 2007 Regional Market Rate survey, effective March 1, 2009. This will drive considerably higher costs per case in the future, similar to the rate increases of approximately 12% experienced in 2007-08. Additional costs in excess of $50 million for CalWORKs child care were projected in 2009-10. (However, see "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below, for a description of subsequent cuts made to child care funding for 2008-09 and 2009-10.)

- **Proposition 98 Settle-Up Payments**. The Original 2008-09 State Budget deferred $150 million in settle-up payments that have traditionally been appropriated to reduce prior years outstanding K-14 unfunded reimbursable costs for mandated programs. The Original 2008-09 State Budget included $402 million in settle-up funds to continue the Quality Education Investment Act of 2006.

Additional information regarding the Original 2008-09 State Budget is available from the Legislative Analyst's Office (the "LAO") website at www.lao.ca.gov and the California Department of Finance website at www.dof.ca.gov.

State Fiscal Crisis. The weakening State economy in 2007 and 2008, projected to continue through 2009, has resulted in significant reductions in state tax revenues below earlier projections, creating a large budget gap (prior to the enactment of the Original 2008-09 State Budget the Governor was projecting $24.3 billion budget deficit (see "—2008-09 Original Adopted State Budget" above)). To balance the budget, the Original 2008-09 State Budget included cuts in expenditures in many State programs and increased revenue measures in fiscal year 2008-09 as well as certain one-time actions. As of the enactment of the Original 2008-09 State Budget, the Governor projected a total budgetary reserve of about $1.7 billion at June 30, 2009. However, subsequent developments have eliminated that amount and the Governor, prior to the enactment of the recent mid-year cuts, projected a $41.6 billion budget gap for 2008-09 and 2009-10, requiring corrective action in both fiscal year 2008-09 and 2009-10. These developments included: (i) lower than projected revenues as a result of continuing weak economic conditions, (ii) revenue measures in the Original 2008-09 State Budget resulting in less increased revenue than projected in the Original 2008-09 State Budget, (iii) potential required payments to the Medical Care Receiver in excess of the $100 million contained in the Original 2008-09 State Budget, and (iv) possible negative outcomes in pending litigation or other unanticipated costs not included in the Original 2008-09 State Budget. Given the budgetary gap, the Governor and the State Legislature have enacted legislation to implement additional cuts in 2008-09 and a budget for 2009-10 to address the State's fiscal situation. See "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below. See also "—Legislative Analyst's Office 2009-10 Budget Analysis Series" and "—2009-2010 May Revision – General Fund Proposals" below for updated revenue forecasts. The Governor is now projecting an additional $20.8 billion budget gap for 2008-09 and 2009-10.

2008-09 Mid-Year Cuts and 2009-10 State Budget. On February 19, 2009, Governor Schwarzenegger signed the State Budget for fiscal year 2009-10 (the "2009-10 State Budget") as well as legislation implementing mid-year budget cuts for fiscal year 2008-09 in an effort to deal with a projected $41.6 billion budget deficit (together, the "Budget Package"). There were $41.6 billion in budget measures incorporated into the Budget Package, including $12.5 billion in tax and revenue increases (which included increases to the sales tax, the personal income tax and vehicle license fees and a reduction to the dependent tax credit), $14.9 billion in spending reductions, $7.8 billion in additional federal funds expected under the American Recovery and Reinvestment Act of 2009 ("ARRA"), and $5.4 billion in borrowing. Some of the Budget Package proposals required voter approval at the special statewide election held on May 19, 2009. As indicated above, all of the proposals submitted to the voters at the special election failed to receive approval, and their failure has caused the State's 2009-10 budget to be further out of balance since the Budget Package assumed their passage. Accordingly, adjustments to the Budget Package will be necessary. See "—2009-10 May Revision – General Fund Proposals" below for updated figures and proposed adjustments.

In addition, of the $12.5 billion of tax and revenue increases contained in the Budget Package, $5.8 billion is expected to be generated by a temporary (expires July 1, 2010) one-cent increase of sales taxes and $3.7 billion is expected to be raised from a temporary (expires at the end of tax year 2010) 0.25 percent personal income tax surcharge. The other $3.0 billion is due to increases in vehicle license fees and a reduction in the dependent tax credit. If any of these projections decline, necessary adjustments will need to be made to the Budget Package, none of which the District can predict. See "—2009-10 May Revision – General Fund Proposals" below for updated figures and proposed adjustments.

The Budget Package provides the following for K-12 education (but see "—2009-10 May Revision – General Fund Proposals" below for proposed adjustments to the Budget Package):

- **Proposition 98 Funding under Budget Package**. The budget provides $50.7 billion in Proposition 98 funding for K-14 education in 2008-09, which provides funding at the revised minimum guarantee level. This equates to a $7.4 billion reduction in Proposition 98 funding compared to the Original 2008-09 State Budget, accomplished through $2.4 billion in program reductions and savings and $5 billion in Proposition 98 funding deferrals and funds swaps. The budget provides $54.9 billion in Proposition 98 funding for K-14 education in 2009-10, which also provides funding at the minimum guarantee level.

- **Major Revenue Limit and Categorical Program Reductions**. The Budget Package provides $1.9 billion in K-12 program reductions split evenly between revenue limits ($945 million) and categorical programs ($945 million) in 2008-09. These reductions continue in 2009-10, growing to $2.4 billion, an increase of approximately $535 million. More than 50 categorical programs will be subject to across-the-board reductions that will be allocated proportionally and are estimated at roughly 15%. Deficit factors are established for revenue limit reductions in both years.

- **Categorical Flexibility**. The Budget Package provides comprehensive categorical funding flexibility over the next five years to mitigate program reductions. Specifically, the Budget Package allows local educational agencies to transfer unlimited funds from more than 40 categorical programs to their general purpose accounts commencing in 2008-09. Another 11 programs are subject to reductions, but are not subject to categorical flexibility programs.

- **Cost-of-Living Adjustments**. Eliminates the partial 0.68% COLA for K-12 revenue limits in 2008-09 provided for in the Original 2008-09 State Budget. In 2009-10, no COLA is provided for K-12 education programs. It is projected that this action will save approximately $2.5 billion, reflecting an estimated statutory COLA of 5.02%. Deficit factors are established to reflect the elimination of these funds in both years.

- **Proposition 98 Settle-Up**. Categorizes $1.1 billion in K-14 current year spending as "settle-up" dollars rather than Proposition 98 dollars. This has the effect of maintaining overall spending for K-14 programs and retiring an existing settle-up obligation that reduces state debt, while reducing required spending under Proposition 98.

- **Home-to-School Transportation Funding Swaps**. Provides $618.7 million in funding directly from the Public Transportation Account ($198.4 million) and Mass Transportation Fund ($420.3 million) to the K-12 Home-to-School Transportation program in 2008-09. In 2009-10, the Budget Package provides $404.4 million in funding directly from the Public Transportation Account ($313.9 million) and Mass Transportation Fund ($90.5 million) for the Home-to School Transportation program. These transfers reduce Proposition 98 funding, but maintain overall funding for school transportation in both years.

- **Child Care**. Reduces child care funding by $97 million and delays implementation of regional market rate changes scheduled for March 1, 2009. The Budget Package also includes a $108 million reappropriation from 2007-08 child care savings for CalWORKs Stage 2. This would offset the shortfall in one-time savings from the After School Education and Safety Program that was anticipated to be available to fund part of the 2008-09 costs for Stage 2. Additionally, the Budget Package requires the Department of Social Services to develop a new family fee schedule. The Budget Package also reduces the regional market rate ceiling from the 85th percentile to the 75th percentile. The Budget Package continues the reductions imposed in the Original 2008-09 Budget and it is noted that the funding level is about $55 million short of what is estimated to fund existing child care contracts.

- **State Payment Deferrals**. The Budget Package defers payments to school districts as follows: (i) Defers $2 billion in revenue limit apportionments (approximately $339 per Average Daily Attendance (A.D.A.)) and $570 million in K-3 Class Size Reduction apportionments (about half) from February 2009 to July 2009; (ii) Defers 1.2 billion in K-14 apportionments from July 2009 to October 2009; (iii) Defers $1.5 billion in K-12 apportionments from August 2009 to October 2009; and (iv) Increases the June to July deferral by $340 million.

Legislative Analyst's Office 2009-10 Budget Analysis. On March 13, 2009, the LAO released the "2009-10 Budget Analysis Series—The Fiscal Outlook Under the February Budget Package." In it the LAO states that its updated revenue forecast projects that revenue will fall short of the assumptions in the Budget Package by $8 billion. Consequently, the LAO estimates that the State will need to adopt more tax increases, borrowing, and spending cuts in the coming months to bring the 2009-10 State Budget back into balance. The complete budget report released by the LAO, as well as additional information regarding the State's finances, are available from the LAO website at www.lao.ca.gov.

On May 7, 2009, the LAO released the "California's Cash Flow Crisis: May 2009 Update." In it the LAO states that without additional legislative measures to address the State's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the State will not be able to pay many of its bills on time for much of Fiscal Year 2009-10. The LAO indicates that further deterioration of the State's economic and revenue picture and failure of the State ballot measures voted on at the May 19, 2009, special election (each discussed above) would increase the State's cash flow pressures substantially – potentially increasing short-term borrowing needs to well over $20 billion, and that the State would likely have difficulty borrowing the needed amounts from the short-term bond markets based on its credit alone. The LAO also discusses areas for potential federal assistance through the ARRA, but cautions the State against assuming such assistance will be available, and identifies several potential sources of federal assistance specifically earmarked to benefit school districts, including $1.1 billion for special education (IDEA), $1 billion for Title I grants, approximately $3.3 billion of State Fiscal Stabilization Funds (the "SFSF") in Fiscal Year 2008-09 and Fiscal year 2009-10 to backfill the cuts made in Fiscal Year 2008-09, and $12.8 million for school nutrition equipment purchases. The complete budget report released by the LAO, as well as additional information regarding the State's finances, are available from the LAO website at www.lao.ca.gov.

2009-10 May Revision—General Fund Proposals. On May 14, 2009, the Governor released the "2009-10 May Revision—General Fund Proposals" (the "May Revise"), which outlines proposed revisions to the Budget Package stemming from general fund revenues being projected to be $3.4 billion lower in 2008-09 and $8.9 billion lower in 2009-10 than was projected when the Budget Package was enacted. The May Revise includes a $1.648 billion reduction in 2008-09 to $49.1 billion and a $4.496 billion reduction in 2009-10 to $50.4 billion of Proposition 98 funding (which includes K-12 education, California Community Colleges, and other agencies). However, the reductions would be largely offset by the $3.5 billion in federal SFSF and the $2.8 billion in other federal funding increases that are being provided to schools through the ARRA. The May Revise also includes a proposal to borrow eight percent of the property tax revenues received by cities, counties, and special districts in 2008-09 authorized by Proposition 1A, which would generate approximately $1.982 billion of revenue for the State. Specific proposals that would affect school districts, including the District, include:

- A one-time reduction of $1.311 billion to K-12 revenue limits ($223 per A.D.A.) in Fiscal Year 2008-09.

- A reduction of $2.2 billion K-12 revenue limits ($374 per A.D.A.) in Fiscal Year 2009-10.

- A deferral of $1.678 billion in K-12 apportionments from Fiscal Year 2009-10 to Fiscal Year 2010-11.

- A reduction of $404 million in funds for Home-to-School Transportation.

The complete May Revise is available from the California Department of Finance website at www.dof.ca.gov.

Governor's Update to the May Revision to the 2009-10 State Budget Act. On May 26, 2009 and on May 29, 2009, the Governor released updates to the May Revision (collectively, the "May Revision Update"). The May Revision Update projects a budget gap of $3.10 billion through the remainder of fiscal year 2008-09 due to shortfalls in revenue collections and increased costs and the failure of five of the six budget-related propositions included in the Special Election. The May Revision Update estimates fiscal year 2008-09 revenues and transfers of $85.95 billion, total expenditures of $91.35 billion and a year-end deficit of $3.10 billion, which includes a $2.31 billion prior-year State General Fund balance and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The May Revision Update projects fiscal year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $83.52 billion and a year-end surplus of $5.60 billion (net of the $3.10 billion deficit from fiscal year 2008-09), of which $1.08 billion will be reserved for the liquidation of encumbrances and $4.52 billion will be deposited in a reserve for economic uncertainties. The May Revision and the May Revision Update, collectively, include proposals to reduce General Fund spending in the amount of $3.12 billion during the remainder of fiscal year 2008-09 and $20.85 billion during fiscal year 2009-10 in order to eliminate the State's projected $21.3 billion through such period. The proposals contained in the May Revision Update replace the Governor's May Revision proposal to issue revenue anticipation warrants in the amount of $5.6 billion to address a portion of the State's General Fund deficit.

The May Revision Update proposes a reduction of Proposition 98-related expenditures in the amount of $680 million during fiscal year 2009-10 contingent upon the occurrence of a projected $3 billion decline in General Fund revenues. The May Revision Update also proposes legislation, which, if enacted, will authorize the State Superintendent of Public Instruction to adjust the deficit factor to restore some or all of the $680 million reduction in Proposition 98 funding if the State receives revenues in a larger amount than currently estimated. The May Revision and the May Revision Update propose an aggregate reduction of Proposition 98 funding in the amount of $1.41 billion during fiscal year 2008-09 and $3.80 billion during fiscal year 2009-10.

July Revision to 2009-10 State Budget Act. On July 1, 2009, the Governor proclaimed a fiscal emergency and called a legislative special session pursuant to Proposition 58 to address this emergency. In addition, the Governor exercised his executive authority to save cash for vital state functions and services by ordering three furlough days every month for certain State employees. Pursuant to Proposition 58, the State Legislature will have 45 days to pass and send a bill or bills to the Governor to address the State's budget. If, after the 45 day period, the State Legislature has not passed a bill or bills to address the State's budgetary problems, it will not be permitted to adjourn or act on other legislation.

In addition, on July 1, 2009, the Department of Finance released updates to the May Revision (collectively, the "July Revision"). The July Revision estimates that revenues during fiscal year 2009-10 will be $3 billion less than projected in the May Revision Update. In addition, approximately $5.4 billion in proposals set forth in the May Revision and May Revision Update have been rejected. The rejected proposals included, among other things, a spending reduction in the amount of $1.6 billion attributable to Proposition 98 for fiscal year 2008-09 and $1.6 billion attributable to Proposition 98 for fiscal year 2009-10. The July Revision includes a proposal to suspend the Proposition 98 for fiscal year 2009-10 and provide funding at $3.0 billion less than the minimum guarantee. Accordingly, the total appropriation from the State General Fund would be $34.6 billion, which is $1.4 billion less than the level proposed in the May Revision.

Revised State Budget for Fiscal Year 2009-10. On July 28, 2009, the Governor signed the Revised 2009-10 State Budget Act to address a projected $24.16 billion shortfall in revenues. The Revised 2009-10 State Budget Act estimates fiscal year 2008-09 revenues and transfers of $84.1 billion, total expenditures of $91.5 billion and a year-end deficit of $3.38 billion, which includes a $4.07 billion prior-year State General Fund balance, a $4.46 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The Revised 2009-10 State Budget Act projects fiscal year 2009-10 revenues and transfers of $89.54 billion, actual expenditures of $84.58 billion and a year-end surplus of $1.58 billion (net of the $3.38 billion deficit from fiscal year 2008-09), of which $1.08 billion is expected to be reserved for the liquidation of encumbrances and $500 million is expected to be deposited in a reserve for economic uncertainties.

Certain of the features of the Revised 2009-10 State Budget Act affecting school districts include the following:

1. The Revised 2009-10 State Budget Act reduces fiscal year 2008-09 Proposition 98 spending for school districts and community college districts by $2.06 billion to $34.05 billion. In addition, the Revised 2009-10 State Budget Act reduces fiscal year 2009-10 Proposition 98 spending for school districts and community college districts by $4.46 billion to $35.03 billion. The Revised 2009-10 State Budget Act uses a shift of property tax revenues from redevelopment agencies to schools in the amount of $850 million to replace a portion of the reduction in Proposition 98 State General Fund spending in fiscal year 2009-10. Such amount will be shifted to K-12 schools that serve the redevelopment areas and the housing built by the redevelopment agencies.

2. The outstanding maintenance factor or future funding obligation for fiscal year 2008-09 pursuant to Proposition 98 is estimated to be $11.2 billion. The Revised 2009-10 State Budget

Act includes a payment of $1.17 billion toward such amount, which leaves a remaining balance to be paid in future fiscal years of $10.1 billion.

3. The Revised 2009-10 State Budget Act includes $6 billion in funds from the Recovery Act in fiscal years 2008-09 and 2009-10 to maintain the minimum spending level required for receipt of State Fiscal Stabilization Fund allocations for K-12 programs.

4. In order to reduce the Proposition 98 minimum guarantee for fiscal year 2009-10 and in consideration of a funding formula under Proposition 98, which calculates a level of funding for the current fiscal year in part based upon funding allocated during the prior fiscal year, the Revised 2009-10 State Budget Act retroactively reverts approximately $1.6 billion in fiscal year 2008-09 unallocated funds for categorical programs to the State General Fund. In addition, the Revised 2009-10 State Budget Act delays for one year the $450 million Proposition 98 settle-up payment from prior year obligations for the QEIA. The Proposition 98 revenue limit funding is reduced in fiscal year 2009-10 to backfill the reduction in categorical funding to continue the QEIA program.

5. Flexibility with respect to 42 categorical programs through fiscal year 2012-13 will allow school districts to transfer funds to their higher priority needs. Pursuant to the Revised 2009-10 State Budget Act, the State will continue its policy of reducing penalties associated with the K-3 Class Size Reduction program. The State will permit school districts to retain up to 70 percent of funding if pupil-to-teacher ratios increase more than 25-to-1 through 2011-12.

6. The Revised 2009-10 State Budget Act defers $1.8 billon in payments from fiscal year 2009-10 to August 2010 from school district revenue limits and community college apportionments. In addition, the State will defer approximately $2 billion in K-12 payments from their previously scheduled dates in fiscal year 2009-10 to December of 2009 and January 2010. The payment schedule for K-12 apportionment funding and categorical funding will be revised to distribute five percent of total payments in each of July and August and nine percent in each of the remaining months.

7. The Revised 2009-10 State Budget Act provides flexibility to schools by reducing instruction by up to five days to accommodate a reduction of approximately $2.1 billion of revenue limit apportionments to school districts and county offices of education. In addition, the Revised 2009-10 State Budget Act will permit schools to reduce the amount of money that they are required to set aside for facility maintenance and to use funds from the sale of surplus property for non-facility related purposes.

LAO Analysis of Federal Economic Stimulus Package. On March 10, 2009, the LAO issued a report entitled "2009-10 Budget Analysis Series, Federal Economic Stimulus Package: Fiscal Effect on California" (the "LAO Economic Stimulus Report"), which provides an analysis by the LAO of the Recovery Act and its fiscal effect on the State. The LAO Economic Stimulus Report is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

The LAO projects that the State will receive approximately $31 billion in federal funding to address budget deficits and to supplement existing State spending through fiscal year 2010-11. The LAO projects the State will receive Education Stabilization Funds in the approximate amounts of $3.3 billion in fiscal year 2009-10 and $1.6 billion in fiscal year 2010-11 to mitigate reductions to K-12 and higher education funding. Further, the LAO projects that the State will receive approximately $3.1 billion for K-12 education, of which $1.5 billion will be allocated to Title I programs, $1.3 billion to services provided pursuant to the Individuals with Disabilities Education Act, $220 million to the Child Care and Development Block Grant and $71 million to classroom technology as part of the Enhancing Education Through Technology program. In addition, the LAO estimates that the State will receive from the Recovery Act $1.1 billion in fiscal year 2009-10 to be applied toward fiscal stabilization. In fiscal years 2009-10 and 2010-11, the LAO projects that the State will receive approximately $10.4 billion in federal funding that may be used to offset expenditures from the State General Fund.

The LAO also notes that the State may receive additional federal funding through competitive grants included in the Recovery Act. The LAO recommends that the State Legislature maximize the benefit received from such funds by offsetting expenditures from the State General Fund, dedicating limited-term federal assistance to limited-term State priorities, spreading out supplemental federal funding for ongoing programs to minimize the new level of spending and acting expediently to ensure that the State receives the maximum amount of funding from the Recovery Act.

Proposed 2010-11 State Budget. On January 8, 2010, Governor Schwarzenegger released his proposed budget for fiscal year 2010-11 (the "2010-11 Proposed State Budget"), which includes cuts in education, healthcare, social services and transit in order to address a projected $19.9 billion in budget shortfalls (which is comprised of a current year shortfall of $6.6 billion, a budget year shortfall of $12.3 billion and a reserve of $1 billion). The 2010-11 Proposed State Budget does not include any broad-based tax increases, but does include a heavy reliance on the increase of the influx of federal funds. Given the re-emergence of a current year budget shortfall, the Governor plans to declare a fiscal emergency and immediately call the State Legislature into a special session to make the needed current year budget cuts. The Governor's 2010-11 Proposed State Budget provides the following for K-12 education:

Based on certain assumptions discussed below, the Governor's 2010-11 Proposed State Budget includes the full funding of the Proposition 98 guarantee. However, the Governor is proposing a reduction of approximately 10% in funding for administration, overhead and other non-instruction related spending by school districts, which is equal to approximately $1.2 billion in cuts for school districts and approximately $45 million in cuts for county offices of education. Total Proposition 98 expenditures are projected to be lower than the $50.4 billion amount assumed in the amended 2009-10 State Budget to $49.9 billion in fiscal year 2009-10 reflecting a minimum guarantee that is $567.5 million (or 1.2%) lower. The State General Fund share of the fiscal year 2009-10 Proposition 98 guarantee is also projected to decrease from $35 billion to $34.7 billion. The Governor's 2010-11 Proposed State Budget calls for the funding of the minimum required Proposition 98 guarantee in fiscal year 2010-11 at $50 billion, reflecting an increase of $103 million (or 0.2%) over the revised 2009-10 minimum guarantee. The State General Fund share of the fiscal year 2010-11 Proposition 98 guarantee is projected at $36.1 billion in the 2010-11 Proposed State Budget.

As part of a compromise to the amended 2009-10 State Budget, the Proposition 98 funding level for 2008-09 was certified through legislation at $49.1 billion. The amended 2009-10 State Budget also established a future funding obligation of $11.2 billion (the "in lieu" maintenance factor) even if it were to be determined that no maintenance factor was created in fiscal year 2008-09. The amended 2009-10 State Budget established a repayment schedule for the "in lieu" maintenance factor beginning in fiscal year 2010-11. However, revenues in fiscal year 2008-09 were subsequently determined to be significantly lower than was estimated at the time the Proposition 98 funding level was certified, resulting in no maintenance factor and dropping the Proposition guarantee to $46.8 billion. Absent corrective action, the $2.3 billion over-appropriation of the Proposition 98 guarantee in fiscal year 2008-09 and required repayments of the "in lieu" maintenance factor beginning in fiscal year 2010-11, would substantially increase the Proposition 98 guarantee in fiscal years 2009-10 and 2010-11. In the 2010-11 Proposed State Budget, the Governor proposes to bring the level of appropriations down to the actual level of expenditures for fiscal year 2008-09 (reducing the over-appropriation to $2.2 billion) and to use a portion of the $2.2 billion over-appropriation toward satisfying the outstanding maintenance factor, resulting in a reduction in the minimum Proposition 98 guarantee for fiscal years 2009-10 and 2010-11. The "in lieu" maintenance factor payments adopted as part of the amended 2009-10 State Budget were to begin in fiscal year 2010-11. However, the Governor proposes to delay the start date of these payments to fiscal year 2012-13. These proposals and various tax reductions and shifts in the Governor's 2010-11 Proposed State Budget are projected to result in State budget reductions of $892.6 in fiscal year 2009-10 and $1.5 billion in fiscal year 2010-11.

A few areas of flexibility for schools that have been enacted in past budgets are proposed to be continued in the Governor's 2010-11 Proposed State Budget, including categorical flexibility through 2012-13, the ability to reduce the school year by five days and relaxed penalties on K-3 Class Size Reduction.

Certain changes to current state law (intended to provide additional flexibility to school districts and allow school districts to protect classroom spending) are a part of the Governor's 2010-11 Proposed State Budget. One such change would be to give local school districts the flexibility to layoff, assign, reassign, transfer and rehire teachers based on skill and subject matter needs without regard to seniority. Another such change would be to change the teacher layoff notice to 60 days after the State budget is adopted or amended. Current law requires that school districts notify teachers by March 15 of the year before the layoff, well before the State typically adopts its budget and school districts know how much funding they will receive. A third proposed change would eliminate provisions in state law that require teachers who have been laid off to receive first priority for substitute assignments and that theses substitutes be paid at the rate they received before they were laid off if certain criteria is met.

On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a $18.9 billion budget problem is reasonable but is $3.1 billion smaller shortfall than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the state is unlikely to receive in the amounts requested. The Legislature needs to assume that the federal relief will total billions less than the Governor budgets for and will need to make difficult decisions regarding both revenues and spending and needs to make many key decisions by the end of March in order to implement them for the next fiscal year.

Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. According to the Governor's office, the 2010-11 budget revision will be available in mid-May 2010.

The District cannot predict which proposals, if any, contained in the Governor's 2010-11 Proposed State Budget will be adopted by the Legislature and signed by the Governor as part of the final 2010-11 State budget. Additionally, the District cannot predict if any other proposals affecting education funding will be proposed before the final 2010-11 State budget is adopted by the Legislature and signed by the Governor. The complete 2010-11 Proposed State Budget is available from the California Department of Finance website at **www.dof.ca.gov.**

The final 2010-11 State Budget, which requires approval by a two-thirds vote of each house of the State Legislature, may differ substantially from the Governor's original budget proposal. Accordingly, the District cannot predict the impact that the 2010-11 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by national and state economic conditions and other factors.

District Revenues from the Recovery Act. In April 2009, the United States Department of Education announced the allocation to the State of $3.1 billion from the State Fiscal Stabilization Fund of the Recovery Act. In May 2009, the State Superintendent of Schools announced the preliminary entitlements for education entities through the State Fiscal Stabilization Fund's allocation of funds from the Recovery Act.

Additional Information; Future State Budgets. Information about the State budget and State spending for education is regularly available at various State maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "2009-10 Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District have no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues or increased expenses for the District, the District will be required to make adjustments to its budget.

THE ECONOMY OF THE DISTRICT

While the economics of the City of Walnut Creek 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 District is located in the City of Walnut Creek in Contra Costa County.

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

Population

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

POPULATION
City of Walnut Creek and Contra Costa County

Year	Walnut Creek	Contra Costa County
1980	54,062	656,380
1990	60,569	803,732
2000	64,296	948,816
2004	66,137	1,005,678
2005	66,047	1,016,407
2006	65,293	1,025,509
2007	65,070	1,035,322
2008	65,266	1,048,242
2009	65,860	1,060,435

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark. Sacramento, California, May 2009. The 1980, 1990 and 2000 totals are U.S. Census figures as of April 1.

Employment

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

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Contra Costa County
Annual Averages, 2004-2008

	2004	2005	2006	2007	2008
Civilian Labor Force (1)					
Employment	482,000	487,700	493,800	495,400	496,400
Unemployment (2)	27,800	25,000	22,100	24,300	32,700
Total	509,700	512,700	515,900	519,700	529,200
Unemployment Rate (3)	5.4%	4.9%	4.3%	4.7%	6.2%

Source: California Employment Development Department, based on March 2009 benchmark.
(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.

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

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
Oakland MSA
2004-2008

	2004	2005	2006	2007	2008
Total, All Industries	1,025,200	1,033,700	1,046,900	1,049,700	1,031,300
Farm	1,500	1,600	1,500	1,500	1,400
Non-Farm:					
Goods Producing	169,200	169,500	170,300	167,200	159,100
Mining and Logging	1,200	1,100	1,200	1,200	1,200
Construction	69,800	72,800	73,300	71,700	64,600
Manufacturing	98,200	95,600	95,800	94,400	93,300
Service Providing	854,500	862,600	875,100	881,000	870,700
Trade, Transportation & Utilities	193,800	195,000	197,100	199,300	195,300
Wholesale Trade	49,200	48,600	48,800	48,700	48,000
Retail Trade	110,500	112,100	113,300	113,300	110,700
Information	31,300	30,700	30,100	29,000	27,800
Financial Activities	67,600	69,500	67,700	62,400	56,800
Professional & Business Services	147,700	150,600	154,900	158,000	161,400
Educational & Health Services	117,200	118,500	121,800	124,200	127,700
Leisure & Hospitality	80,600	83,000	85,600	88,000	89,100
Other Services	36,600	35,600	35,900	36,200	36,000
Government	179,700	180,000	182,000	183,900	176,600

Source: California Employment Development Department, based on March 2008 benchmark.
(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Major Employers

The largest employers in the City are as follows:

CITY OF WALNUT CREEK
Largest Employers

Company	Product/Service	Employees
John Muir Physician Network	General Medical & Surgical Hospitals	3891
Kaiser Foundation Hospitals	General Medical & Surgical Hospitals	2852
John Muir Health	General Medical & Surgical Hospitals	1600
Contra Costa Newspapers Inc.	Newspaper publishers	1322
BEI Sensors & Systems Co Inc	Other Electronic Component Manufacturing	841
City of Walnut Creek	Municipal Government	763
PMI Group Inc	Direct Property & Casualty Insurance Carriers	757

Source: 2009 Harris InfoSource, February 2009.

The largest employers in the County are as follows:

CONTRA COSTA COUNTY
Largest Employers

Company	Product/Service	Employees	Location
AT&T Corp	Telecommunications Resellers	8,500	San Ramon
Contra Costa County Inc	Other Individual & Family Services	7,574	Martinez
Summerville Management LLC	Nursing Care Facilities	4,000	San Ramon
John Muir Physician Network	General Medical & Surgical Hospitals	3,891	Walnut Creek
Pacpizza LLC	Limited-Service Restaurants	3,600	San Ramon
Mt Diablo Unified School Dist	Elementary & Secondary Schools	3,226	Concord
Kaiser Foundation Hospitals	General Medical & Surgical Hospitals	2,852	Walnut Creek
United States Postal Service	Postal Service	2,500	Alamo
Safeway Inc	Supermarkets & Other Grocery (Except Convenience) Stores	2,475	Alamo
Diablo Valley College Foundation	All Other Support Services	2,020	Pleasant Hill
AT&T Services Inc	Telecommunications Resellers	2,018	Pleasant Hill
Home Depot USA Inc	Home Centers	1,750	San Ramon
Cellco Partnership	Radio, Television & Other Electronics Stores	1,735	Concord
California Department of Health	Offices Of Physicians (Except Mental Health Specialists)	1,676	Richmond
West Contra Costa Unified School District	Elementary & Secondary Schools	1,667	Richmond
John Muir Health	General Medical & Surgical Hospitals	1,600	Walnut Creek
Bio-Rad Laboratories Inc	Analytical Laboratory Instrument Manufacturing	1,405	Hercules
Albertson's LLC	Supermarkets & Other Grocery (Except Convenience) Stores	1,405	San Ramon
Chevron Corp	Petroleum Refineries	1,342	San Ramon
Target Corp	Department Stores (Except Discount Department Stores)	1,325	San Ramon

Source: 2009 Harris InfoSource, February 2009.

Construction Activity

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

BUILDING PERMITS AND VALUATION
City of Walnut Creek
(Dollars in Thousands)

	2004	2005	2006	2007	2008
Permit Valuation:					
New Single-family	$ 6,022	$15,174	$ 13,798	$ 7,833	$ 1,682
New Multi-family	3,595	7,200	56,292	8,060	12,684
Res. Alterations/Additions	22,011	30,056	31,830	26,833	17,295
Total Residential	31,628	52,429	101,919	42,726	31,661
Total Nonresidential	25,385	33,223	35,528	62,989	44,467
Total All Building	$57,013	$85,653	$137,448	$105,715	$76,127
New Dwelling Units:					
Single Family	27	60	37	17	4
Multiple Family	27	45	376	52	91
Total	54	105	413	69	95

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

BUILDING PERMITS AND VALUATION
Contra Costa County
(Dollars in Thousands)

	2004	2005	2006	2007	2008
Permit Valuation:					
New Single-family	$1,113,572	$1,525,515	$ 986,694	$ 832,053	$ 300,089
New Multi-family	123,333	106,512	157,972	94,505	132,825
Res. Alterations/Additions	233,108	293,394	307,153	290,108	29,023
Total Residential	1,470,014	1,925,421	1,451,818	1,216,666	661,937
Total Nonresidential	375,184	392,870	412,500	491,315	459,933
Total All Building	$1,845,197	$2,318,291	$1,864,318	$1,707,980	$1,121,869
New Dwelling Units:					
Single Family	4,222	5,452	3,310	2,698	985
Multiple Family	1,261	860	1,178	909	909
Total	5,483	6,312	4,488	3,607	1,894

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.

TAXABLE SALES, 2004-2008
City of Walnut Creek
(Dollars in Thousands)

	Taxable Sales ($000)				
	2004	2005	2006	2007	2008
Retail Stores					
Apparel Stores	$ 87,514	$ 91,432	$ 92,411	$ 94,802	$ 145,923
General Merchandise	299,724	309,287	316,351	316,868	235,945
Food Stores	54,567	53,765	54,812	57,420	54,176
Eating and Drinking	164,388	177,433	180,917	184,251	181,872
Home Furnishings/Appliances	76,372	78,089	72,140	69,153	67,735
Building Materials	75,474	81,591	83,393	70,418	58,875
Motor vehicles/parts	468,804	466,994	475,474	442,707	346,256
Service Stations	74,360	86,003	101,372	10,637	113,237
Other Retail Stores	205,689	208,801	207,153	181,539	157,336
Retail Stores Totals	1,504,892	1,553,305	1,584,023	1,523,995	1,361,264
All Other Outlets	225,183	250,305	251,607	273,055	258,340
Total All Outlets	$1,730,075	$1,803,610	$1,835,630	$1,797,050	$1,619,604

Source: California Board of Equalization.

TAXABLE SALES, 2004-2008
Contra Costa County
(in thousands)

	Taxable Sales ($000)				
	2004	2005	2006	2007	2008
Retail Stores					
Apparel Stores	$ 411,121	$ 451,401	$ 462,451	$ 470,507	$ 528,456
General Merchandise	1,794,677	1,840,754	1,882,310	1,878,711	1,753,124
Specialty Stores (1)	1,313,316	1,339,013	1,353,099	(1)	(1)
Food Stores	596,922	607,168	607,062	616,296	594,275
Eating and Drinking	994,733	1,049,124	1,098,793	1,125,644	1,134,412
Household Group	492,686	483,977	468,008	427,995	471,620
Building Material Group	1,080,813	1,092,471	1,027,731	944,683	747,773
Automotive Group	2,730,407	2,901,766	3,061,806	1,812,785	1,406,932
Service Stations (2)	(2)	(2)	(2)	1,351,405	1,514,897
All Other Retail Stores	282,690	306,410	314,647	1,481,678	1,332,819
Retail Stores Totals	9,697,365	10,072,084	10,275,907	10,109,704	9,484,307
Business & Personal Services	506,336	524,750	567,375	555,793	533,701
All Other Outlets	2,786,837	2,883,241	3,024,379	340,618	3,289,673
Total All Outlets	$12,990,538	$13,480,075	$13,867,661	$14,086,295	$13,307,681

Source: California Board of Equalization.
(1) Starting in 2007, category included in "Other retail stores."
(2) Starting in 2007, category broken out from "Automotive Group."

Median Household Income

The following table summarizes the median household effective buying income for the City, Contra Costa County, the State and the nation for the years 2004 through 2008.

EFFECTIVE BUYING INCOME
City, County, State and United States

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2004	City of Walnut Creek	2,226,068	54,517
	County of Contra Costa	27,273,658	56,165
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	City of Walnut Creek	2,249,072	55,647
	County of Contra Costa	27,450,775	56,979
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Walnut Creek	2,289,902	56,510
	County of Contra Costa	28,611,520	58,497
	California	764,120,962	46,275
	United States	6,107,092,244	41,255
2007	City of Walnut Creek	2,381,377	58,691
	County of Contra Costa	30,138,295	61,123
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Walnut Creek	2,428,952	59,053
	County of Contra Costa	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

Source: "Survey of Buying Power," Sales and Marketing Management (2004); Nielsen Claritas, Inc. (2005-2008). In 2005, Sales and Marketing Management ceased publishing the "Survey of Buying Power" report; however, subsequent years' data has been obtained from Nielsen Claritas, Inc., who had previously prepared the data each year for the "Survey of Buying Power."

LEGAL OPINION

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, San Francisco, California, Bond Counsel for the District. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, San Francisco, 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 includable 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, San Francisco, California, Bond Counsel, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. The Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within their respective 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 for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' 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 generally include certain tax-exempt interest, but not 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 each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity 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 "Reduced Issue Price"), 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. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. 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 Bond. 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 Bond.

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 "IRS") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the IRS, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Bondholders 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 IRS. 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 IRS 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.

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

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 270 days following the end of the District's fiscal year (which date would be March 30 following the current end of the District's fiscal year on June 30), commencing with the report for the 2009-10 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of material 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 C—"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"). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

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 ("S&P") has assigned the rating of "AA" to the Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from such organization at the following address: S&P, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Series D Bonds are being purchased by __________ (the "Series D Underwriter"). The Series D Underwriter has agreed to purchase the Series D Bonds at a price of $____________ (which is equal to the principal amount of the Series D Bonds, less Series D Underwriter's discount of $___________, plus net original issue premium of $_____________). The Series D

Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions, the approval of certain legal matters by counsel and certain other conditions. In addition, the Series D Underwriter will pay certain costs of issuance of the Series D Bonds. The Series D Underwriter may offer and sell Series D Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Series D Underwriter.

The Series E Bonds are being purchased by __________ (the "Series E Underwriter"). The Series E Underwriter has agreed to purchase the Series E Bonds at a price of $____________ (which is equal to the principal amount of the Series E Bonds, less Series E Underwriter's discount of $___________, plus net original issue premium of $_____________). The Series E Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions, the approval of certain legal matters by counsel and certain other conditions. In addition, the Series E Underwriter will pay certain costs of issuance of the Series E Bonds. The Series E Underwriter may offer and sell Series E Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Series E Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution, 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 ____________________________________
Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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WALNUT CREEK SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
WALNUT CREEK, CALIFORNIA

AUDIT REPORT

JUNE 30, 2009

WALNUT CREEK SCHOOL DISTRICT

JUNE 30, 2009

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SUPPLEMENTARY INFORMATION SECTION

WALNUT CREEK SCHOOL DISTRICT

JUNE 30, 2009

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FINDINGS AND QUESTIONED COSTS SECTION

Schedule of Findings and Questioned Costs:

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Walnut Creek School District
Walnut Creek, California

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, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Walnut Creek School District's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the provisions of California Code of Regulations, Title 5, Education, Section 19810, and following; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Creek School District, as of June 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of Walnut Creek School District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws,

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of Walnut Creek School District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the budgetary comparison information on page 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Walnut Creek School District's basic financial statements. The accompanying supplementary information, including the combining statements, the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the remaining schedules listed in the table of contents, are presented for purposes of additional analysis as required by the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09,* and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2009

WALNUT CREEK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(PREPARED BY DISTRICT MANAGEMENT)

This section of the Walnut Creek School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 through 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's financial status improved during the 2008-09 fiscal year. Over the course of the year, total net assets increased approximately 7.0%.

- On the Statement of Activities, total current year revenues and the special item exceeded total current year expenses by $1,284,469.

- Capital assets, net of depreciation, decreased $676,559 primarily due to accumulated depreciation growing at a faster rate than acquisitions and improvements.

- Total long-term liabilities decreased $862,337, due primarily to payments on the outstanding general obligation bond liability.

- On the Statement of Revenues, Expenditures and Changes in Fund Balances, total current year revenues and other sources exceeded total current year expenditures by $1,141,909.

- On the Statement of Revenues, Expenditures and Changes in Fund Balances, total current year revenues and other sources exceeded total current year expenditures by $1,141,909.

- The District's P-2 average daily attendance (ADA) increased from 3,053 ADA in 2007-08, up to 3,167 ADA in 2008-09, an increase of 3.7%, which resulted in an increase in revenue limit funding in the current year.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2008-09, General Fund expenditures and other financing uses totaled $24,087,123. At June 30, 2009, the District has available reserves of $2,343,372 in the General Fund, which represents a reserve of 9.7%.

WALNUT CREEK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
  - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the

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

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

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

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Walnut Creek School District are the General Fund, Bond Interest and Redemption Fund, and Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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 operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

Fiduciary Funds:

The District is the trustee, or fiduciary, for its student and departmental activity funds. All of the District's fiduciary activities are reported in a separate fiduciary statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net assets increased from $18,276,785 at June 30, 2008 to $19,561,254 at June 30, 2009.

Comparative Statement of Net Assets

	Governmental Activities	
	2008	2009
Assets		
Deposits and Investments	$ 14,313,609	$ 15,506,738
Receivables	1,564,197	1,791,956
Stores Inventories	30,924	22,547
Prepaid Expenses	833,732	773,833
Capital Assets, net	35,304,688	34,628,129
Total Assets	52,047,150	52,723,203
Liabilities		
Current	2,061,402	2,467,064
Long-Term	31,708,963	30,694,885
Total Liabilities	33,770,365	33,161,949
Net Assets		
Invested in Capital Assets		
- Net of Related Debt	7,737,431	6,871,497
Restricted	6,052,206	7,182,612
Unrestricted	4,487,148	5,507,145
Total Net Assets	$ 18,276,785	$ 19,561,254

- Net of Related Debt	7,737,431	6,871,497
Restricted	6,052,206	7,182,612
Unrestricted	4,487,148	5,507,145
Total Net Assets	$ 18,276,785	$ 19,561,254

Table includes financial data of the combined governmental funds

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

District net assets increased $1,284,469 during fiscal year 2008-09.

Comparative Statement of Changes in Net Asset

	Governmental Activities	
	2008	2009
Program Revenues		
Charges for Services	$ 651,316	$ 653,701
Operating Grants & Contributions	3,889,482	3,631,908
General Revenues		
Taxes Levied	18,460,100	19,574,402
Federal & State Aid	3,998,501	4,085,603
Interest & Investment Earnings	491,931	166,030
Miscellaneous	1,891,436	1,787,741
Total Revenues	29,382,766	29,899,385
Expenses		
Instruction	17,688,967	18,062,406
Instruction Related Services	3,738,140	3,148,391
Pupil Services	1,597,881	1,455,225
General Administration	1,355,522	1,386,144
Plant Services	3,189,021	2,896,693
Ancillary Services	4,493	7,389
Interest on Long-Term Debt	1,370,227	1,343,884
Other Outgo	259,182	341,915
Total Expenses	29,203,433	28,642,047
Changes in Net Assets Before Special Item	179,333	1,257,338
Special Item	0	27,131
Changes in Net Assets	$ 179,333	$ 1,284,469

Table includes financial data of the combined governmental funds

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $24,356,438 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of the audit.

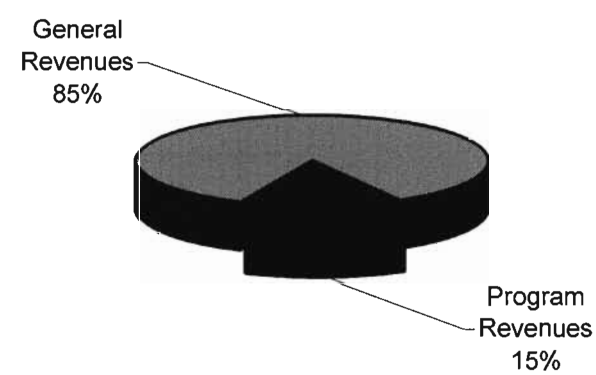
Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2008	2009	2008	2009
Instruction	$ 17,688,967	$ 18,062,406	$ 15,035,543	$ 15,064,701
Instruction Related Services	3,738,140	3,148,391	3,289,568	2,947,368
Pupil Services	1,597,881	1,455,225	632,050	533,168
General Administration	1,355,522	1,386,144	1,338,451	1,381,688
Plant Services	3,189,021	2,896,693	2,971,904	2,822,882
Ancillary Services	4,493	7,389	3,465	6,196
Interest on Long-Term Debt	1,370,227	1,343,884	1,370,227	1,343,884
Other Outgo	259,182	341,915	21,427	256,551
Totals	$ 29,203,433	$ 28,642,047	$ 24,662,635	$ 24,356,438

Table includes financial data of the combined governmental funds

Program revenues financed 15% of the total cost of providing the services listed above, while the remaining 85% was financed by the general revenues of the District.

remaining 85% was financed by the general revenues of the District.



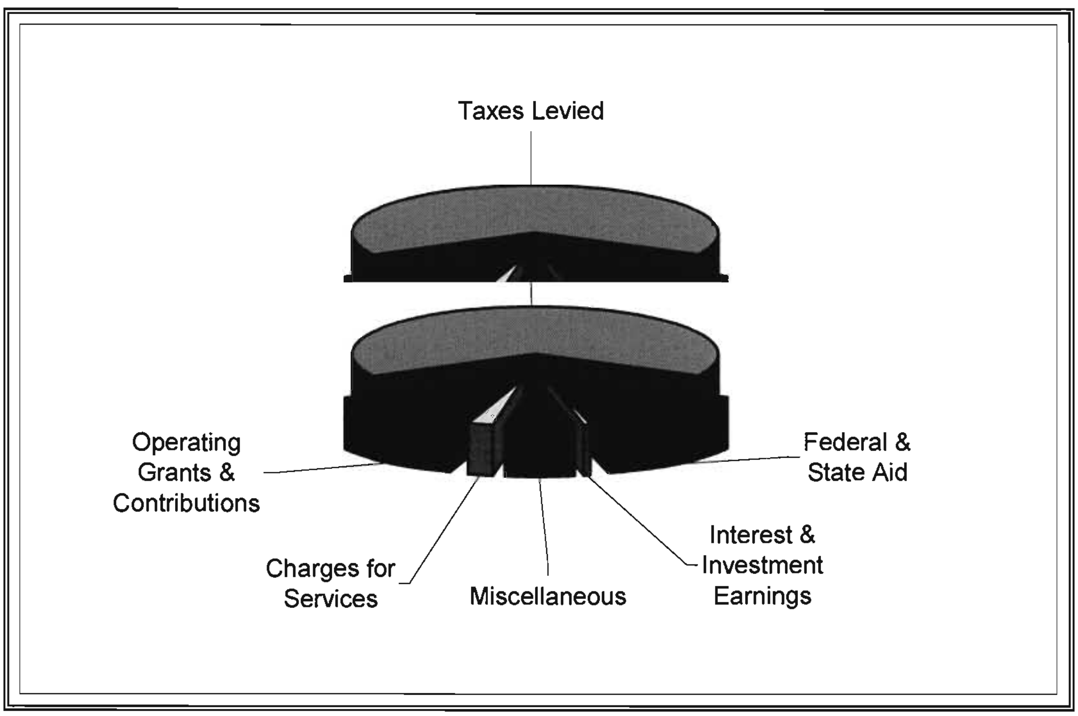
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2008 Amount	Percent of Total	FYE 2009 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 651,316	2.22%	$ 653,701	2.19%
Operating Grants & Contributions	3,889,482	13.24%	3,631,908	12.15%
General Revenues				
Taxes Levied	18,460,100	62.83%	19,574,402	65.47%
Federal & State Aid	3,998,501	13.61%	4,085,603	13.66%
Interest & Investment Earnings	491,931	1.67%	166,030	0.56%
Miscellaneous	1,891,436	6.44%	1,787,741	5.98%
Total Revenues	$ 29,382,766	100.00%	$ 29,899,385	100.00%

Table includes financial data of the combined governmental funds



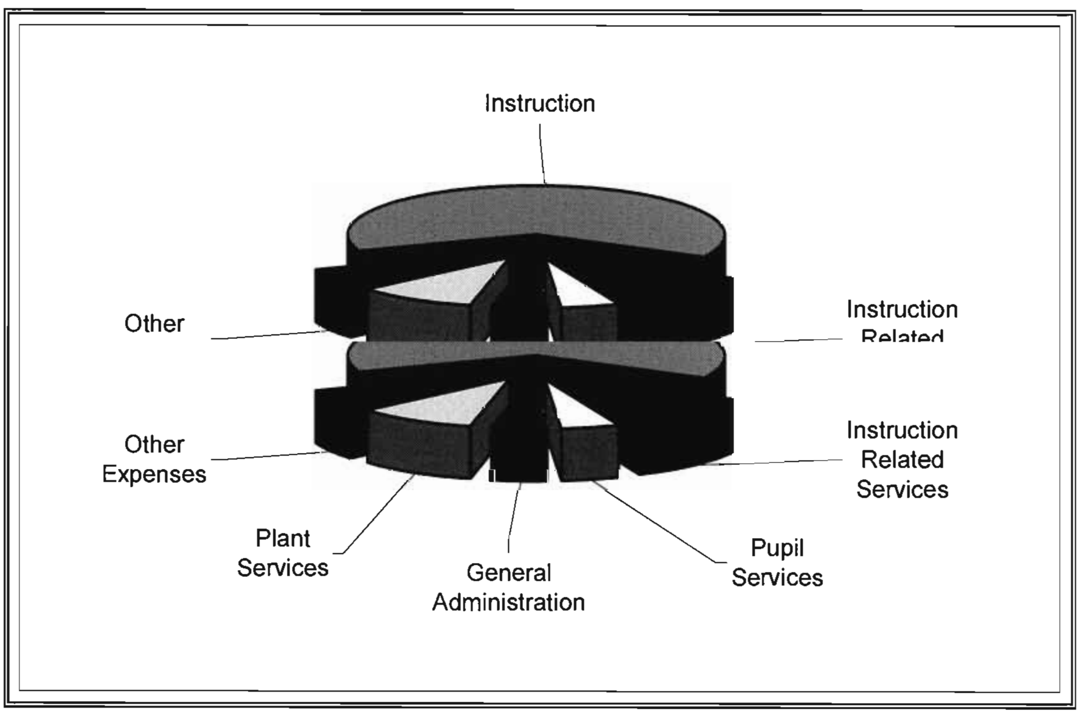
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2008 Amount	Percent of Total	FYE 2009 Amount	Percent of Total
Expenses				
Instruction	$ 17,688,967	60.57%	$ 18,062,406	63.06%
Instruction Related Services	3,738,140	12.80%	3,148,391	10.99%
Pupil Services	1,597,881	5.47%	1,455,225	5.08%
General Administration	1,355,522	4.64%	1,386,144	4.84%
Plant Services	3,189,021	10.92%	2,896,693	10.11%
Other Expenses	1,633,902	5.59%	1,693,188	5.91%
Total Expenses	$ 29,203,433	100.00%	$ 28,642,047	100.00%

Table includes financial data of the combined governmental funds



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

GOVERNMENTAL ACTIVITIES (CONCLUDED)

Comparative Schedule of Capital Assets

	Governmental Activities	
	2008	2009
Land	$ 2,738,587	$ 2,738,587
Sites and Improvements	9,545,390	10,038,826
Buildings and Improvements	37,518,818	37,518,818
Furniture and Equipment	843,143	871,362
Work-in-Progress	4,236,200	4,627,231
Subtotals	54,882,138	55,794,824
Less: Accumulated Depreciation	(19,577,450)	(21,166,695)
Capital Assets, net	$ 35,304,688	$ 34,628,129

Capital assets, net of depreciation, decreased $676,559 primarily due to accumulated depreciation growing at a faster rate than acquisitions and improvements.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities	
	2008	2009
Compensated Absences	$ 123,963	$ 149,885
General Obligation Bonds	32,525,000	31,585,000
Early Retirement Incentives	50,000	20,000
Compensated Absences	$ 123,963	$ 149,885
General Obligation Bonds	32,525,000	31,585,000
Early Retirement Incentives	50,000	20,000
Other Post Employment Benefits	0	81,741
Totals	$ 32,698,963	$ 31,836,626

Total long-term liabilities decreased $862,337, due primarily to payments on the outstanding general obligation bond liability. The general obligation bonds are financed by the local taxpayers and represent more than 99% of the District's long-term liabilities. The remaining liabilities are financed by the General Fund.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2008	Fund Balances June 30, 2009	Increase (Decrease)
General	$ 5,341,846	$ 6,609,383	$ 1,267,537
Bond Interest & Redemption	1,722,431	2,303,407	580,976
Building	4,660,385	3,574,228	(1,086,157)
Deferred Maintenance	717,158	631,627	(85,531)
Cafeteria	438,082	470,173	32,091
Special Revenue - Special Reserve	990,662	1,011,278	20,616
Capital Facilities	736,820	864,258	127,438
Capital Projects - Special Reserve	766,318	1,051,257	284,939
Totals	$ 15,373,702	$ 16,515,611	$ 1,141,909

The combined fund balances of all funds increased $1,141,909 during fiscal year 2008-09. The fund balance in the General Fund increased $1,267,537 due primarily to the receipt of $993,227 of state fiscal stabilization funds that were unspent at June 30, 2009.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim. The original budget presented on page 41 includes only new revenues for 2008-09.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

on page 41 includes only new revenues for 2008-09.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's cap for health benefits is currently set at $615.25 for classified and $592.35 for certificated employees. However, the District is increasingly concerned with the employee paid portion which continues to rise as health care costs increase. The District is aware of the financial toll on District staff and their families and will do all it can to address this issue in the future. For FY 2009-10, the Kaiser high plan increased 9.9%; Kaiser low plan increased 10.8%; Blue Cross increased 7.7%; and the PPO increased 6.9%.

Student enrollment and attendance are primary factors in the computation of funding formulas for public schools in the State of California. Although, the district has suffered through several years of declining and/or flat Average Daily Attendance (ADA), the District is expecting enrollment increases for FY 2009-10. Some of the factors contributing to the projected enrollment increase include District outreach efforts for pre-kindergarten students, and the migration of private school students to public schools as a result of increased economic uncertainty.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE (CONCLUDED)

The District currently receives a parcel tax of $1.2 million which funds 16.5 FTE positions in the District. The parcel tax has no sunset date as of November 3, 2009.

The State's economic situation is another major factor affecting the District's future. The financial well being of the District is tied in large measure to the state funding formula, and because the State's current year budget does not fully address its budget problem, it is anticipated that further reductions in funding may be forthcoming. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact the District Office, Walnut Creek School District, 960 Ygnacio Valley Road, Walnut Creek, California 94597.

WALNUT CREEK SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 15,506,738
Receivables (Note 4)	1,791,956
Stores Inventories (Note 1J)	22,547
Prepaid Expenses (Note 1J)	773,833
Capital Assets: (Note 5)	
Land	2,738,587
Sites and Improvements	10,038,826
Buildings and Improvements	37,518,818
Furniture and Equipment	871,362
Work-in-Progress	4,627,231
Less: Accumulated Depreciation	(21,166,695)
Total Assets	52,723,203
Liabilities	
Accounts Payable and Other Current Liabilities	1,097,662
Deferred Revenue (Note 1J)	227,661
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	1,040,000
Early Retirement Incentives (Note 7)	20,000
Other Post Employment Benefits (Note 8)	81,741
Portion Due or Payable After One Year:	
Compensated Absences (Note 1J)	149,885
General Obligation Bonds (Note 6)	30,545,000
Total Liabilities	33,161,949
Net Assets	
Investment in Capital Assets, Net of Related Debt	6,871,497
Restricted:	
For Capital Projects	1,915,515
For Debt Service	2,303,407
For Educational Programs	1,853,576
For Other Purposes	1,110,114
For Capital Projects	1,915,515
For Debt Service	2,303,407
For Educational Programs	1,853,576
For Other Purposes	1,110,114
Unrestricted	5,507,145
Total Net Assets	$ 19,561,254

WALNUT CREEK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities					
Instruction	$ 18,062,406		$ 2,997,705		$ (15,064,701)
Instruction-Related Services:					
Supervision of Instruction	957,962		199,145		(758,817)
Instructional Library and Technology	470,170		1,767		(468,403)
School Site Administration	1,720,259		111		(1,720,148)
Pupil Services:					
Home-to-School Transportation	9,061		4,502		(4,559)
Food Services	889,075	$ 653,701	211,783		(23,591)
Other Pupil Services	557,089		52,071		(505,018)
General Administration:					
Data Processing Services	22,733				(22,733)
Other General Administration	1,363,411		4,456		(1,358,955)
Plant Services	2,896,693		73,811		(2,822,882)
Ancillary Services	7,389		1,193		(6,196)
Interest on Long-Term Debt	1,343,884				(1,343,884)
Other Outgo	341,915		85,364		(256,551)
Total Governmental Activities	$ 28,642,047	$ 653,701	$ 3,631,908	$ 0	(24,356,438)
General Revenues					
Taxes Levied for General Purposes					15,431,809
Taxes Levied for Debt Service					2,861,559
Taxes Levied for Specific Purposes					1,281,034
Federal and State Aid - Unrestricted					4,085,603
Interest and Investment Earnings					166,030
Taxes Levied for Specific Purposes					1,281,034
Federal and State Aid - Unrestricted					4,085,603
Interest and Investment Earnings					166,030
Miscellaneous					1,787,741
Total General Revenues					25,613,776
Special Item					
Gain from Impairment of District Assets					27,131
Change in Net Assets					1,284,469
Net Assets - July 1, 2008					18,276,785
Net Assets - June 30, 2009					$ 19,561,254

WALNUT CREEK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ 5,289,267	$ 2,303,407	$ 3,826,627	$ 4,087,437	$ 15,506,738
Receivables (Note 4)	1,722,200		14,989	54,767	1,791,956
Stores Inventories (Note 1J)	6,564			15,983	22,547
Total Assets	$ 7,018,031	$ 2,303,407	$ 3,841,616	$ 4,158,187	$ 17,321,241
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 294,164		$ 267,388	$ 97,003	$ 658,555
Deferred Revenue (Note 1J)	114,484			32,591	147,075
Total Liabilities	408,648		267,388	129,594	805,630
Fund Balances: (Note 10)					
Reserved	1,861,890	$ 2,303,407		15,983	4,181,280
Unreserved:					
Designated	3,126,735		3,574,228	1,865,178	8,566,141
Undesignated	1,620,758			2,147,432	3,768,190
Total Fund Balances	6,609,383	2,303,407	3,574,228	4,028,593	16,515,611
Total Liabilities and Fund Balances	$ 7,018,031	$ 2,303,407	$ 3,841,616	$ 4,158,187	$ 17,321,241

WALNUT CREEK SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds		$ 16,515,611

Amounts reported for governmental activities in the statement of net assets are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:

Capital Assets	$ 55,794,824	
Accumulated Depreciation	(21,166,695)	
		34,628,129

Unamortized costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenses at year-end consist of:

Deferred Charges - Costs of Issuance	$ 233,996	
Deferred Charges - Refunding	539,837	
		773,833

Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums at year-end consist of:

Deferred Asset - Bond Premiums		(80,586)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences	$ 149,885	
General Obligation Bonds	31,585,000	
Early Retirement Incentives	20,000	
Other Post Employment Benefits	81,741	
		(31,836,626)

In governmental funds, the unmatured interest on long-term obligations are not
Other Post Employment Benefits 81,741
(31,836,626)

In governmental funds, the unmatured interest on long-term obligations are not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(439,107)
Total Net Assets - Governmental Activities		$ 19,561,254

WALNUT CREEK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Revenue Limit Sources:					
State Apportionment	$ 1,777,300				$ 1,777,300
Local Taxes	15,431,810				15,431,810
Total Revenue Limit Sources	17,209,110				17,209,110
Federal Revenue	1,669,791			$ 173,384	1,843,175
State Revenue	2,880,746	$ 26,581		9,775	2,917,102
Local Revenue	3,595,013	2,849,647	$ 95,839	1,389,499	7,929,998
Total Revenues	25,354,660	2,876,228	95,839	1,572,658	29,899,385
Expenditures					
Instruction	16,943,304				16,943,304
Supervision of Instruction	901,382				901,382
Instructional Library and Technology	442,400				442,400
School Site Administration	1,618,182				1,618,182
Home-To-School Transportation	9,061				9,061
Food Services				836,563	836,563
Other Pupil Services	524,185				524,185
Data Processing Services	23,245				23,245
Other General Administration	1,250,361				1,250,361
Plant Services	2,044,151			9,013	2,053,164
Facilities Acquisition and Construction	36,134		1,348,931	347,529	1,732,594
Ancillary Services	7,389				7,389
Debt Service:					
Principal Retirement		940,000			940,000
Interest and Issuance Costs		1,355,252			1,355,252
Other Outgo	287,329				287,329
Total Expenditures	24,087,123	2,295,252	1,348,931	1,193,105	28,924,411

Interest and Issuance Costs		1,355,252			1,355,252
Other Outgo	287,329				287,329
Total Expenditures	24,087,123	2,295,252	1,348,931	1,193,105	28,924,411

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
Excess of Revenues Over (Under) Expenditures	1,267,537	580,976	(1,253,092)	379,553	974,974
Other Financing Sources					
Other Sources			166,935		166,935
Net Change in Fund Balances	1,267,537	580,976	(1,086,157)	379,553	1,141,909
Fund Balances - July 1, 2008	5,341,846	1,722,431	4,660,385	3,649,040	15,373,702
Fund Balances - June 30, 2009	$ 6,609,383	$ 2,303,407	$ 3,574,228	$ 4,028,593	$ 16,515,611

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 FISCAL YEAR ENDED JUNE 30, 2009

Net Change in Fund Balances - Governmental Funds		$ 1,141,909
Amounts reported for governmental activities in the statement of activities are different due to the following:		
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 allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays during the fiscal year.		
Depreciation Expense	$ (1,591,690)	
Capital Outlays	1,054,935	
		(536,755)
Gain or loss on disposal or impairment of capital assets: In governmental funds, the entire proceeds from the disposal or impairment of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds received from the impairment of capital assets and the resulting gain is:		(139,804)
Debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, issue costs are amortized over the life of the debt. The issue costs amortized for the period are:		(59,899)
Bond premiums are recognized as Other Financing Sources in the period they are received in governmental funds. In the government-wide statements, premiums are amortized over the life of the debt. The premiums amortized for the period are:		5,313
Debt service: In governmental funds, repayments of long-term obligations are reported as expenditures. In the government-wide statements, repayments of long-term obligations are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term obligations were:		
General Obligation Bonds		940,000
In the statement of activities, certain operating expenses - compensated absences, early retirement incentives, and other post employment benefits are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of In the statement of activities, certain operating expenses - compensated absences, early retirement incentives, and other post employment benefits are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year amounts earned exceeded amounts used by:		(77,663)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term debt decreased by:		11,368
Change in Net Assets of Governmental Activities		$ 1,284,469

WALNUT CREEK SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Agency Funds	Total Fiduciary Funds
Assets		
Deposits and Investments (Note 2)	$ 9,608	$ 9,608
Liabilities		
Due to Student Groups	9,608	9,608
Net Assets		
Total Net Assets	$ 0	$ 0

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Walnut Creek School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education elected by registered voters of the District, which comprises an area in Contra Costa County. The District was established in 1860 and serves students in kindergarten through eighth grade.

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

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

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

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

C. Implementation of New Accounting Pronouncements

responsibility that would result in the District being considered a component unit of that entity.

C. Implementation of New Accounting Pronouncements

For the year ended June 30, 2009 the District was required to adopt Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new statement significantly changes the way state and local governments report their "other post employment benefits" to the public. As a result of GASB 45, state and local governments are required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity within the governmental activities column has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 governmental fund is presented in a separate column, and all non-major

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 governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Concluded)

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means 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. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. 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 as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for the repayment of District bonds, interest, and related costs.

The *Building Fund* is used to account for the proceeds generated by the sale of the general obligation bonds. Expenditures are made for the purpose of financing the construction, renovation and repair of certain District facilities.

Non-major Governmental Funds:

The *Deferred Maintenance Fund* is used for the purpose of major repairs or replacement of District property.

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

The *Special Revenue - Special Reserve Fund* is used to account for special projects that are not related to capital projects.

The *Capital Facilities Fund* is used to account for resources received from developer impact
The *Special Revenue - Special Reserve Fund* is used to account for special projects that are not related to capital projects.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA) and is used for constructing and remodeling classroom facilities to serve students generated by residential development.

The *Capital Projects - Special Reserve Fund* is used to accumulate resources for special projects as determined by the Governing Board.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body account at Walnut Creek Intermediate School, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body. The student body funds were transferred into a specific resource in the General Fund during the 2008-09 fiscal year.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 41.

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

H. Use of Estimates

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

I. Encumbrances

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

J. Assets, Liabilities and Equity

are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

J. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to $250,000 by the Federal Depository Insurance Corporation (FDIC).

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 County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

Investments 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.

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.

2. Inventories and Prepaid Expenses

Inventories are recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventories are valued at average cost and consist of expendable supplies held for consumption.

Prepaid expenses include costs of issuance associated with general obligation bonds issued since the implementation of GASB Statement No. 34. These costs will be amortized over the life of the bonds.

Reported inventories and prepaid expenses are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

Furniture and equipment purchased or acquired with an original cost of $5,000 or more

3. Capital Assets

Furniture and equipment purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost; and beginning in fiscal year 2007-08, capital improvement, acquisition, or construction with an original cost of $50,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Years
Sites and Improvements	14-40
Buildings and Improvements	7-50
Furniture and Equipment	5-20

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

4. Deferred Revenue

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

Deferred revenue also includes the premiums associated with general obligation bonds, issued since the implementation of GASB Statement No. 34, which will be amortized over the life of the bonds.

5. Compensated Absences

All vacation pay and labor related costs are accrued when incurred in the government-wide financial statements.

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

6. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums, discounts, issuance and refunding costs are deferred and amortized over the life of the liability. Long-term obligations are reported net of applicable premiums, discounts, issuance and refunding costs.

In the fund financial statements, governmental funds recognize premiums, discounts, issuance and refunding costs, during the current period. The face amount of the obligation issued, premiums, discounts, and costs are reported as other financing

In the fund financial statements, governmental funds recognize premiums, discounts, issuance and refunding costs, during the current period. The face amount of the obligation issued, premiums, discounts, and costs are reported as other financing sources or uses.

7. Fund Balance Reserves and Designations

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

8. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax (Concluded)

The County of Contra Costa is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, consist of the following:

	Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks	$ 39,951	
Cash in Revolving Fund	1,750	
County Pool Investments	9,551,947	$ 9,608
Local Agency Investment Fund	5,913,090	
Total Deposits and Investments	$ 15,506,738	$ 9,608

The fiduciary activities balance presented above represents the student body funds that are maintained in the District's General Fund. The District setup a payable in the General Fund at June 30, 2009 for the balance due to the students at Walnut Creek Intermediate.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

County pool investments consist of District cash held by the Contra Costa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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).

Local Agency Investment Fund (LAIF)

Local Agency Investment Fund consists of amounts held in a special fund maintained by the California State Treasury through which local governments may pool investments. Each governmental agency may invest up to $40,000,000 in each account in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF.

At June 30, 2009, the total cost of the District's investment in LAIF was $5,913,090. The total fair value of the District's investment in LAIF was $5,920,805. The fair value total includes an unrealized gain of $7,715. The unrealized gain was based on a fair market adjustment factor of 1.001304743 that was calculated by the State of California Treasurer's Office.

includes an unrealized gain of $7,715. The unrealized gain was based on a fair market adjustment factor of 1.001304743 that was calculated by the State of California Treasurer's Office.

At June 30, 2009, the fair value of the State of California Pooled Money Investment Account (PMIA) including accrued interest was $50,889,715,337. The State of California Pooled Money Investment Account portfolio had securities in the form of structured notes totaling $5,169,332,000 and asset backed securities totaling $2,296,565,000. The PMIA has policies, goals and objectives for the portfolio to make certain that the goals of safety, liquidity, and yield are not jeopardized. These policies are formulated by investment staff and reviewed by both the PMIA and LAIF Advisory Board on an annual basis.

General Authorization

Limitation as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedule:

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization (Concluded)

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 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 rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, 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 Treasury that purchases 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.
manages its exposure to interest rate risk by investing in the County Treasury that purchases 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.

Segmented Time Distribution

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 9,551,947	$ 9,578,755	$ 8,310,194	$ 1,241,753
Local Agency Investment Fund	5,913,090	5,920,805	5,913,090	
Totals	$ 15,465,037	$ 15,499,560	$ 14,223,284	$ 1,241,753

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

	Carrying	Fair	Rating as of Year End		
Investment Type	Value	Value	AAA	Aa	Unrated
County Pool Investments	$ 9,551,947	$ 9,578,755			$ 9,551,947
Local Agency Investment Fund	5,913,090	5,920,805			5,913,090
Totals	$ 15,465,037	$ 15,499,560	$ 0	$ 0	$ 15,465,037

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

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 agencies. 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 of the total amount deposited by the public agencies. 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.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2009, the District does not have any investments of this type.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Contra Costa County Treasury was not available.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in the General Fund were as follows:

	Excess Expenditures
Classified Salaries	$ 93,931
Employee Benefits	82,905
Other Expenditures	60,528

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2009 consist of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 347,082		$ 44,179	$ 391,261
State Government	979,640		1,651	981,291
Local Governments	239,306			239,306
Interest		$ 14,989	7,633	22,622
Miscellaneous	156,172		1,304	157,476
Totals	$ 1,722,200	$ 14,989	$ 54,767	$ 1,791,956

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2009, is shown below:

	Balances July 1, 2008	Additions	Deletions	Balances June 30, 2009
Land	$ 2,738,587			$ 2,738,587
Sites and Improvements	9,545,390	$ 493,436		10,038,826

	Balances July 1, 2008	Additions	Deletions	Balances June 30, 2009
Land	$ 2,738,587			$ 2,738,587
Sites and Improvements	9,545,390	$ 493,436		10,038,826
Buildings and Improvements	37,518,818			37,518,818
Furniture and Equipment	843,143	126,035	$ 97,816	871,362
Work-in-Progress	4,236,200	1,054,936	663,905	4,627,231
Totals at Historical Cost	54,882,138	1,674,407	761,721	55,794,824
Less Accumulated Depreciation for:				
Sites and Improvements	5,596,643	488,439		6,085,082
Buildings and Improvements	13,517,145	1,066,201		14,583,346
Furniture and Equipment	463,662	37,050	2,445	498,267
Total Accumulated Depreciation	19,577,450	1,591,690	2,445	21,166,695
Governmental Activities Capital Assets, net	$ 35,304,688	$ 82,717	$ 759,276	$ 34,628,129

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 1,067,361
Supervision of Instruction	56,580
Instructional Library and Technology	27,770
School Site Administration	101,604
Food Services	52,512
Other Pupil Services	32,904
Data Processing Services	1,343
Other General Administration	80,528
Plant Services	171,088
Total Depreciation Expense	$ 1,591,690

NOTE 6 - GENERAL OBLIGATION BONDS

The District's outstanding general obligation debt as of June 30, 2009 is as follows:

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2009
2000	5.00-8.00	2025	$ 5,000,000	$ 155,000		$ 155,000	$ 0
2003	2.00-4.50	2022	9,170,000	8,545,000		260,000	8,285,000
2003	2.00-4.80	2028	7,000,000	6,670,000		140,000	6,530,000
2005	3.50-4.50	2030	5,000,000	4,790,000		110,000	4,680,000
2007	4.00-8.00	2032	4,000,000	4,000,000		30,000	3,970,000
2007	3.50-4.125	2025	8,625,000	8,365,000		245,000	8,120,000
Totals			$ 38,795,000	$ 32,525,000	$ 0	$ 940,000	$ 31,585,000

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2009, are as follows:

Year Ended
The annual requirements to amortize the bonds payable, outstanding as of June 30, 2009,
are as follows:

Year Ended June 30	Principal	Interest	Totals
2010	$ 1,040,000	$ 1,317,199	$ 2,357,199
2011	1,075,000	1,279,384	2,354,384
2012	1,175,000	1,238,534	2,413,534
2013	1,290,000	1,190,740	2,480,740
2014	1,410,000	1,135,045	2,545,045
2015-2019	8,735,000	4,666,001	13,401,001
2020-2024	9,870,000	2,535,644	12,405,644
2025-2029	5,640,000	869,256	6,509,256
2030-2034	1,350,000	73,166	1,423,166
Totals	$ 31,585,000	$ 14,304,969	$ 45,889,969

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

Assessed valuations for the fiscal years ended 2008-09 and 2009-10 are as follows:

Fiscal Year	Local Secured	Utility	Unsecured	Totals
2008-09	$ 9,558,041,127	$ 0	$ 365,771,555	$ 9,923,812,682
2009-10	9,643,981,463	0	348,579,011	9,992,560,474

Secured tax charges and delinquencies related to the outstanding general obligation bonds of the District for the fiscal years ended 2007-08 and 2008-09 are as follows:

Fiscal Year	Local Secured	Amount Delinquent June 30	% Delinquent June 30
2007-08	$ 1,080,358	$ 18,490	1.71%
2008-09	1,650,678	31,498	1.96%

NOTE 7 - EARLY RETIREMENT INCENTIVES

The District offered an early retirement incentive program (ERIP) to certificated employees who have served in the District a minimum of ten (10) full years and are at least 55 years of age. During the current year, two employees elected ERIP Option 2 which entitles the employee to receive a lump-sum retirement incentive. As of June 30, 2009, the District's liability under this program is $20,000, which will be paid during fiscal year 2009-10.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of post employment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 (GASB 45) during the year ended June 30, 2009, the District recognizes the cost of post employment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows.

Plan Descriptions: 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

Plan Descriptions: 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
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	Yes	Yes
District coverage	100%	100%	100%	100%	100%
District cap	$150/mo. **	$200/mo.	$150/mo. **	$200/mo. **	$150/mo.

** Applies after 5 years of benefits paid at full rate up to existing cap for active employees.

NOTE 8 - <u>OTHER POST EMPLOYMENT BENEFITS (CONTINUED)</u>

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued. The District had 269 active employee participants and 29 retiree participants as of October 1, 2007, the effective date of the biennial OPEB valuation.

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis and these financial statements assume that pay-as-you-go funding will continue.

Annual Other Post Employment Benefit Cost: For the fiscal year ended June 30, 2009, the District's Annual OPEB Cost (i.e. expense) of $195,260 is equal to the Annual Required Contribution for the initial year. Considering the District's annual OPEB cost as well as the payment of current health insurance premiums, which totaled $113,519, the result was an increase in the District's Net OPEB Obligation of $81,741 for the year ended June 30, 2009.

Level Percent of Payroll Amortization

Calculation of ARC under Entry Age Normal Method

Normal cost with interest to end of year	$ 124,467
Amortization of UAAL with interest to end of year	70,793
Annual required contribution (ARC)	195,260
Interest on Net OPEB Obligation	0
Adjustment to ARC	(0)
Annual OPEB cost (expense)	195,260
Contributions for the fiscal year	(113,519)
Increase in Net OPEB Obligation	81,741
Net OPEB Obligation - June 30, 2008	0
Contributions for the fiscal year	(113,519)
Increase in Net OPEB Obligation	81,741
Net OPEB Obligation - June 30, 2008	0
Net OPEB Obligation - June 30, 2009	$ 81,741
Percent of annual OPEB cost contributed	58%

Benefit Obligations

Actuarial Accrued Liability (AAL)

Retired employees	$ 220,048
Active Employees	1,378,223
Unfunded actuarial accrued liability (UAAL)	$ 1,598,271
Annual covered payroll	$ 16,119,557
UAAL as % of covered payroll	9.9%

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

In future years, three-year trend information will be presented. Fiscal year 2008-09 was the first year of implementation for GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available.

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The unfunded actuarial accrued liability is being amortized over 30 years on a level percentage of payroll basis.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2007, actuarial valuation, the liabilities were computed using the entry age normal method and level percentage of payroll amortization over 30 years. The actuarial assumptions utilized a 5% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3% was provided by the District and based on historical data. The valuation assumes 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.

NOTE 9 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2009, is shown below:

A schedule of changes in long-term liabilities for the year ended June 30, 2009, is shown below:

	Balances July 1, 2008	Additions	Deductions	Balances June 30, 2009	Due within One Year
Compensated Absences	$ 123,963	$ 25,922		$ 149,885	
General Obligation Bonds	32,525,000		$ 940,000	31,585,000	$ 1,040,000
Early Retirement Incentives	50,000	20,000	50,000	20,000	20,000
Other Post Employment Benefits	0	195,260	113,519	81,741	81,741
Totals	$ 32,698,963	$ 241,182	$ 1,103,519	$ 31,836,626	$ 1,141,741

NOTE 10 - FUND BALANCES

The District's fund balances at June 30, 2009 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Reserved For:					
Revolving Fund	$ 1,750				$ 1,750
Stores Inventories	6,564			$ 15,983	22,547
Debt Service		$ 2,303,407			2,303,407
Legally Restricted	1,853,576				1,853,576
Unreserved:					
Designated For:					
Economic Uncertainties	722,614			100,000	822,614
Other Designations	2,404,121		$ 3,574,228	1,765,178	7,743,527
Undesignated	1,620,758			2,147,432	3,768,190
Total Fund Balances	$ 6,609,383	$ 2,303,407	$ 3,574,228	$ 4,028,593	$ 16,515,611

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2009, 2008, and 2007, were $1,067,862, $1,096,514, and $1,049,591, respectively, and equal 100% of the required contributions for each year.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-09 was 9.428%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2009, 2008, and 2007, were $292,844, $334,167, and $297,164, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of employees' gross earnings. In addition, employees are required to contribute 6.2% of their gross earnings.

Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of employees' gross earnings. In addition, employees are required to contribute 6.2% of their gross earnings.

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

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 education. These payments consist of state general fund contributions of $584,671 to STRS (4.517% of salaries subject to STRS).

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008-09, the District participated in two joint powers authority (JPA) for purposes of pooling for risk. There have been no significant reductions in coverage during the year.

NOTE 14 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the East Bay School Insurance Group (EBSIG) for property and liability insurance, the Contra Costa County School Insurance Group (CCCSIG) for worker's compensation and Blue Cross health insurance, and the Schools Self Insurance of Contra Costa County (SSICCC) for dental and vision insurance. The relationship between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

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

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 15 - ECONOMIC DEPENDENCY

During the year, the District received $1,232,557 of parcel tax revenue that is subject to voter approval. The existing parcel tax rate of $82 per parcel will be assessed through June 30, 2011.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 17 - SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes

On July 6, 2009, in association with the California Schools Cash Reserve Program, the District issued tax and revenue anticipation notes in the amount of $525,000. The notes mature on July 1, 2010, and bear interest at 2.50%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

NOTE 17 - SUBSEQUENT EVENTS (CONCLUDED)

B. State Budget Amendments

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of $24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, $1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill $1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenues and related receivables associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to receiving notification from the State that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, adjustments to reduce the revenues and related receivables have been included in these financial statements.

C. Parcel Tax

On November 3, 2009, voters in the District approved Measure H, which asked voters in the Walnut Creek School District to approve an $82 per year parcel tax that had no sunset date. The District's prior parcel tax measure was set to expire on June 30, 2011.

SUPPLEMENTARY INFORMATION SECTION

WALNUT CREEK SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue Limit Sources:				
State Apportionment	$ 1,472,917	$ 1,771,834	$ 1,777,300	$ 5,466
Local Sources	15,564,645	15,381,818	15,431,810	49,992
Total Revenue Limit Sources	17,037,562	17,153,652	17,209,110	55,458
Federal Revenue	751,894	1,778,515	1,669,791	(108,724)
Other State Revenue	2,799,426	2,822,939	2,880,746	57,807
Other Local Revenue	3,250,581	3,571,725	3,595,013	23,288
Total Revenues	23,839,463	25,326,831	25,354,660	27,829
Expenditures				
Certificated Salaries	12,986,261	13,194,434	13,173,521	20,913
Classified Salaries	3,228,850	3,240,979	3,334,910	(93,931)
Employee Benefits	3,595,701	3,636,900	3,719,805	(82,905)
Books and Supplies	839,550	1,061,644	905,545	156,099
Services and Other Operating Expenditures	2,934,544	2,805,829	2,629,880	175,949
Capital Outlay		36,134	36,134	
Other Expenditures	226,800	226,800	287,328	(60,528)
Total Expenditures	23,811,706	24,202,720	24,087,123	115,597
Net Change in Fund Balances	27,757	1,124,111	1,267,537	$ 143,426
Fund Balances - July 1, 2008	5,341,846	5,341,846	5,341,846	
Fund Balances - June 30, 2009	$ 5,369,603	$ 6,465,957	$ 6,609,383	

WALNUT CREEK SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Deferred Maintenance	Cafeteria
Assets		
Deposits and Investments	$ 630,304	$ 442,526
Receivables	1,323	47,134
Stores Inventory		15,983
Total Assets	$ 631,627	$ 505,643
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable		$ 2,879
Deferred Revenue		32,591
Total Liabilities		35,470
Fund Balances:		
Reserved		15,983
Unreserved:		
Designated	$ 631,627	197,885
Undesignated		256,305
Total Fund Balances	631,627	470,173
Total Liabilities and Fund Balances	$ 631,627	$ 505,643

Special Revenue - Special Reserve	Capital Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
$ 1,007,848	$ 922,678	$ 1,084,081	$ 4,087,437
3,430		2,880	54,767
			15,983
$ 1,011,278	$ 922,678	$ 1,086,961	$ 4,158,187
	$ 58,420	$ 35,704	$ 97,003
			32,591
	58,420	35,704	129,594
			15,983
$ 1,011,278	24,388		1,865,178
	839,870	1,051,257	2,147,432
1,011,278	864,258	1,051,257	4,028,593
$ 1,011,278	$ 922,678	$ 1,086,961	$ 4,158,187

WALNUT CREEK SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Deferred Maintenance	Cafeteria
Revenues		
Federal Revenue		$ 173,384
State Revenue		9,775
Local Revenue	$ 11,374	685,495
Total Revenues	11,374	868,654
Expenditures		
Food Services		836,563
Plant Services	9,013	
Facilities Acquisition and Construction	87,892	
Total Expenditures	96,905	836,563
Net Change in Fund Balances	(85,531)	32,091
Fund Balances - July 1, 2008	717,158	438,082
Fund Balances - June 30, 2009	$ 631,627	$ 470,173

Special Revenue - Special Reserve	Capital Facilities	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
			$ 173,384
			9,775
$ 20,616	$ 218,260	$ 453,754	1,389,499
20,616	218,260	453,754	1,572,658
			836,563
			9,013
	90,822	168,815	347,529
0	90,822	168,815	1,193,105
20,616	127,438	284,939	379,553
990,662	736,820	766,318	3,649,040
$ 1,011,278	$ 864,258	$ 1,051,257	$ 4,028,593

WALNUT CREEK SCHOOL DISTRICT

ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

ORGANIZATION

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

BOARD OF EDUCATION

Name	Office	Term Expires
Angela Borchardt	President	December 2010
Arthur M. Clarke	Clerk	December 2012
Dan B. Walden	Member	December 2010
Catherine Peña	Member	December 2012
Barbara Pennington	Member	December 2010

ADMINISTRATION

Patricia Wool, Ed.D.
Superintendent

Vacant
Director of Curriculum and
Administrative Services

Marcus Battle
Chief Business Official

Chief Business Official

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Elementary	Second Period Report	Annual Report
Kindergarten	350	351
First through Third	990	990
Fourth through Sixth	1,031	1,031
Seventh and Eighth	749	748
Special Education	40	40
Extended Year	7	7
Totals	3,167	3,167

Supplemental Hours	Hours of Attendance
Elementary	17,105

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Required	2008-09 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	36,000	180	N/A	In Compliance
Grade 1	50,400	50,400	50,620	180	N/A	In Compliance
Grade 2	50,400	50,400	50,670	180	N/A	In Compliance
Grade 3	50,400	50,400	50,670	180	N/A	In Compliance
Grade 4	54,040	54,000	54,350	180	N/A	In Compliance
Grade 5	54,040	54,000	54,350	180	N/A	In Compliance
Grade 6	56,101	54,000	61,315	180	N/A	In Compliance
Grade 7	56,101	54,000	61,315	180	N/A	In Compliance
Grade 8	56,101	54,000	61,315	180	N/A	In Compliance

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Program Name	Federal Catalog Number	Pass-Through Identification Number	Federal Program Expenditures
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
National School Lunch	10.555	13524	$ 173,384
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I Basic Grant	84.010	14329	98,851
NCLB: Title II Improving Teacher Quality	84.367	14341	27,170
NCLB: Title III Limited English Proficient	84.365	10084	21,513
NCLB: Title IV Safe and Drug Free Schools	84.186	14347	2,897
NCLB: Title V Innovative Education Strategies	84.298A	14354	1,410
Passed through Contra Costa SELPA:			
Special Education Cluster:			
IDEA Part B Basic Local Assistance	84.027	13379	474,410
IDEA Part B Preschool Local Entitlement	84.027A	13682	50,313
Subtotal			849,948
U.S. Department of Agriculture:			
Passed through CDE:			
Nonmonetary Assistance			
USDA Food Distribution	10.550	n/a	44,145
Total			$ 894,093

WALNUT CREEK SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund
June 30, 2009 Annual Financial and Budget Report Fund Balance	$ 6,256,336
Adjustment Increasing Fund Balance:	
Understatement of State Revenue	353,047
June 30, 2009 Audited Financial Statements Fund Balance	$ 6,609,383

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2009.

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	GENERAL FUND			
	(Budget)* 2009-10	2008-09	2007-08	2006-07
Revenues and Other Financial Sources	$ 22,611,847	$ 25,354,660	$ 25,307,929	$ 25,427,493
Expenditures	23,223,487	24,087,123	24,872,238	23,797,300
Other Uses and Transfers Out	0	0	229,168	134,776
Total Outgo	23,223,487	24,087,123	25,101,406	23,932,076
Change in Fund Balance	(611,640)	1,267,537	206,523	1,495,417
Ending Fund Balance	$ 5,997,743	$ 6,609,383	$ 5,341,846	$ 5,135,323
Available Reserves **	$ 4,964,395	$ 2,343,372	$ 3,559,604	$ 2,785,094
Designated for Economic Uncertainties	$ 714,351	$ 722,614	$ 753,042	$ 717,962
Undesignated Fund Balance **	$ 4,250,044	$ 1,620,758	$ 2,806,562	$ 2,067,132
Available Reserves as a Percentage of Total Outgo	21.4%	9.7%	14.2%	11.6%
Average Daily Attendance at P-2	3,177	3,167	3,053	3,065
General Fund Long-Term Liabilities	$ 149,885	$ 251,626	$ 173,963	$ 137,771
Total Long-Term Liabilities	$ 30,694,885	$ 31,836,626	$ 32,698,963	$ 33,592,771

* Amounts reported for the 2009-10 budget are presented for analytical purposes only and have not been audited.

** Includes amounts in the Special Revenue - Special Reserve Fund.

The fund balance of the General Fund increased $1,474,060 (28.7%) over the past two years. The fiscal year 2009-10 budget projects a decrease of $611,640 (9.3%). For a district this size, the state recommends available

The fund balance of the General Fund increased $1,474,060 (28.7%) over the past two years. The fiscal year 2009-10 budget projects a decrease of $611,640 (9.3%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses of $1,267,537, $206,523, and $1,495,417, in fiscal years 2008-09, 2007-08, and 2006-07, respectively.

Average daily attendance increased 102 ADA over the past two years. The District projects an increase of 10 ADA during fiscal year 2009-10.

General Fund long-term liabilities increased $113,855 over the past two years due primarily to the implementation of GASB Statement No. 45 in fiscal year 2008-09.

Total long-term liabilities decreased $1,756,145 over the past two years.

WALNUT CREEK SCHOOL DISTRICT

MEASURE B - PARCEL TAX

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Prior Fiscal Years *	Current Fiscal Year	Inception To Date
Revenues			
Parcel Tax Proceeds	$ 3,676,470	$ 1,245,990	$ 4,922,460
Less: Refunds / Uncollected Taxes	(44,010)	(13,433)	(57,443)
Total Revenues	3,632,460	1,232,557	4,865,017
Expenditures			
Salaries and Benefits	3,282,987	1,314,421	4,597,408
Net Change in Fund Balances	349,473	(81,864)	$ 267,609
Fund Balances - Beginning	91,036	440,509	
Fund Balances - Ending	$ 440,509	$ 358,645	

* The beginning fund balance represents the remaining balance of the Measure C parcel tax measure, which expired on June 30, 2005.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Combining Statements

Combining statements are presented for the purpose of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

C. Schedule of Average Daily Attendance

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

D. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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.

E. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activities 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 OMB

The accompanying schedule of expenditures of federal awards includes the federal grant activities 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds, as reported in the Annual Financial and Budget Report to the audited financial statements.

G. 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.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

H. 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 are 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.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Walnut Creek School District
Walnut Creek, California

We have audited the basic financial statements of Walnut Creek School District, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 10, 2009. Our audit was conducted 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; the provisions of California Code of Regulations, Title 5, Education, Section 19810 and following; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures in Education Audit Appeals Panel's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable (a)
Regional Occupational Centers and Programs	6	Not Applicable (a)
Instructional Time for School Districts	6	Yes
Instructional Time for County Offices of Education	3	Not Applicable
Regional Occupational Centers and Programs	6	Not Applicable (a)
Instructional Time for School Districts	6	Yes
Instructional Time for County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Not Applicable (a)
Instructional Materials Program:		
General Requirements	12	1 (b)
Grades K-8	1	Not Applicable (a)
Grades 9-12	1	Not Applicable (a)
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes

Description	Procedures In Education Audit Appeals Panel's Audit Guide	Procedures Performed
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable [(a)]
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving Grades K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	3	Not Applicable

(a) This program is not required to be audited per flexibility provisions in SBx3 4.

(b) The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

We did not perform tests for independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

Based on our audit, we found that, for the items tested, Walnut Creek School District complied with
We did not perform tests for independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

Based on our audit, we found that, for the items tested, Walnut Creek School District complied with the state laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Walnut Creek School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2009

STEPHEN ROATCH ACCOUNTANCY CORPORATION

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*

Board of Education
Walnut Creek School District
Walnut Creek, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Creek School District, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Walnut Creek School District's basic financial statements and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that
we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Concluded)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The significant deficiency that we consider to be a material weakness is described in the accompanying Schedule of Findings and Questioned Costs.

Compliance and Other Matters

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

The District's responses to the findings are included in the accompanying Schedule of Findings and Questioned Costs. However, we did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2009

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2009

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Walnut Creek School District
Walnut Creek, California

Compliance

We have audited the compliance of Walnut Creek School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements, applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on Walnut Creek School District's compliance based on our audit.

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 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. Our audit does not provide a legal determination on Walnut Creek School District's compliance with those requirements.

In our opinion, the Walnut Creek School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Board of Education
Walnut Creek School District
Page Two

Internal Control Over Compliance

The management of Walnut Creek School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the District's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 10, 2009

FINDINGS AND QUESTIONED COSTS SECTION

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	X Yes	____ No
Significant deficiencies identified not considered to be material weaknesses?	X Yes	____ None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	____ Yes	X No

Identification of major programs:

CFDA Numbers	Federal Program
84.027	Special Education Cluster
10.555	National School Lunch

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? Yes X No

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

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

State Awards

Internal control over state programs:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

WALNUT CREEK SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS

09 - 1 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - UNAUDITED ACTUALS

Criteria: Each year, school districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. In addition, each year the governing board certifies that the report was prepared in accordance with Education Code Section 41010, and approves the report as the official submission of financial information that will be used as the basis for the District's annual financial statements. Accordingly, districts should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement. (In accordance with Statement on Auditing Standards No. 112 (SAS 112), if material misstatements are identified during a financial audit, it is presumed that the internal control over financial reporting is either ineffective or non-existent.)

Condition: The District's "Unaudited Actuals" included misstatements that we consider to be material to the District's annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the area where the audit adjustments were required.

Questioned Costs: None.

Context: The adjustments that were made as a result of this audit to ensure the financial statements were fairly stated are presented on page 50 of this report.

Context: The adjustments that were made as a result of this audit to ensure the financial statements were fairly stated are presented on page 50 of this report.

Effect: When an effective system of internal control over financial reporting is not in place, there is more than a remote likelihood that a material misstatement of the financial statements may occur and not be prevented or detected.

Cause: Due to the vast amount of conflicting guidance provided by various state and local education agencies, the District did not follow the revenue recognition guidance, contained within the applicable sections of GASB Statement No. 33, during the year-end closing process.

Recommendation: The District should establish appropriate procedures to ensure that the revenue recognition guidance contained within the applicable sections of GASB Statement No. 33 are followed during the year-end closing process.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINANCIAL REPORTING - UNAUDITED ACTUALS (CONCLUDED)

District Response: The District will refine it's procedures to ensure that the revenue recognition guidance contained within the applicable sections of GASB Statement No. 33 are adhered to during the year-end closing process.

The District has reviewed it's internal procedures and processes related to year-end closing for posting and recognizing revenues and have determined that improvements can be achieved by ensuring that all award letters and notification of funding are filed in a central location.

In addition, the District will also explore developing a tickler file of all expected awards and grants to match against actual award letters and funding notifications to provide as an extra check in determining current awards and funding still outstanding at year end.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

09 - 2 / 30000

SIGNIFICANT DEFICIENCY

CAFETERIA CASH RECEIPTS

Criteria: Receipts from daily cafeteria sales should be supported by reconciliations between calculated sales and actual receipts. The documentation should be prepared on a daily basis and retained for audit.

Condition: The "Off-line Sales" form that reconciles inventory to daily snack line sales was not completed on a consistent basis.

Questioned Costs: None.

Context: The condition appears to be isolated to Parkmead Elementary throughout fiscal year 2008-09.

Effect: There is no way to determine the accuracy or completeness of deposits when there is no reconciliation of the calculated sales amount to the actual deposited amount. As a result, improprieties may occur and not be detected in a timely manner.

Cause: Site cafeteria workers did not follow District procedures regarding the completion of required forms.

Recommendation: The District should enforce procedures to ensure that all required forms are completed by each site on a daily basis.

District Response: The District's cafeteria manager will require sites to certify and/or submit their daily off-line sales report for review on a daily basis. In addition, the cafeteria manager has met with all cafeteria site leads and provided additional training and instruction regarding District procedures in completing forms and reports on a daily basis.

submit their daily off-line sales report for review on a daily basis. In addition, the cafeteria manager has met with all cafeteria site leads and provided additional training and instruction regarding District procedures in completing forms and reports on a daily basis.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

09 - 3 / 30000

SIGNIFICANT DEFICIENCY

STUDENT BODY - CASH DISBURSEMENTS - AUTHORIZATION

Criteria:	Education Code Section 48933 requires that every time student body funds are expended, approval is required by each of the following three persons; an employee or official of the district designated by the governing board, the certificated employee who is the designated advisor of the particular student body organization, and a representative of the particular student body organization. In addition, an effective system of internal control requires that all of the required signatures be obtained prior to expending student body funds.
Condition:	Payments made from student body funds were not authorized by the designated advisor.
Questioned Costs:	None. This is an administrative comment only.
Context:	This condition was noted in four of eleven transactions tested.
Effect:	The District did not adequately comply with the requirements of Education Code Section 48933.
Cause:	The District has not adequately enforced student body procedures that require all student body expenditures to be approved in written form by all three required signors prior to issuing payments.
Recommendation:	The District should actively enforce student body procedures that require all student body expenditures to be approved in written form by all three required signors prior to issuing payments.
District Response:	Beginning in fiscal year 2009-10, the student body fund at WCI was require all student body expenditures to be approved in written form by all three required signors prior to issuing payments.
District Response:	Beginning in fiscal year 2009-10, the student body fund at WCI was moved from a site level responsibility to the District Office and is managed in the general fund in resource 0157. The District provides administrative oversight of the funds by reviewing and ensuring that all applicable documentation associated with deposits and request for payments have all the necessary sign-offs, approvals, and account codes.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2009.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2009.

WALNUT CREEK SCHOOL DISTRICT

STATUS OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Recommendations	Current Status	Explanation If Not Fully Implemented
FINANCIAL STATEMENTS		
08 - 1 / 30000		
MATERIAL WEAKNESS		
AGENCY FUNDS		
The District should examine the departmental account and transfer all balances, which are provided to support classroom and school programs, to the General Fund and establish appropriate account coding to keep track of these funds for the school.	Implemented	
08 - 2 / 30000		
STUDENT BODY - CASH RECEIPTS		
The District should establish policies and procedures that require receipts from student body events to be reconciled to attendance at such events, to ensure the accuracy and completeness of collected receipts.	Implemented	
08 - 3 / 40000 / 30000		
MATERIAL WEAKNESS		
COMPETITIVE BIDDING		
The District should review the Public Contract Code prior to entering into any contracts that exceed the bid threshold.	Implemented	

COMPETITIVE BIDDING

The District should review the Public Contract Code prior to entering into any contracts that exceed the bid threshold. Implemented

APPENDIX B

FORMS OF OPINIONS OF BOND COUNSEL

FORM OF SERIES D OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Governing Board of the
Walnut Creek School District
960 Ygnacio Valley Road
Walnut Creek, CA 94596-3892

OPINION: $2,000,000* Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series D

Members of the Governing Board:

We have acted as bond counsel to the Walnut Creek School District (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") of $2,000,000* principal amount of Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series D (the "Series D Bonds"), pursuant to Title 1, Division 1, Part 10, Chapter 1, Article 1 (commencing with section 15100) of the California Education Code (the "Act"), and a resolution of the Board adopted on April 27, 2010 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Series D Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Series D Bonds. The Series D 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 Series D Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) 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 (the "Code"), and (iii) interest on the Series D

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* Preliminary, subject to change.

Bonds is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Series D Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series D Bonds. It is also our opinion that the Series D Bonds are "qualified tax exempt obligations" under section 265(b)(3) of the Code.

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

Ownership of the Series D 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 Series D Bonds.

The rights of the owners of the Series D Bonds and the enforceability of the Series D Bonds and the 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.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. 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,

FORM OF SERIES E OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Governing Board of the
Walnut Creek School District
960 Ygnacio Valley Road
Walnut Creek, CA 94596-3892

OPINION: $1,996,653.05* Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series E

Members of the Governing Board:

We have acted as bond counsel to the Walnut Creek School District (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") of $1,996,653.05* principal amount of Walnut Creek School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series E (the "Series E Bonds"), pursuant to Title 1, Division 1, Part 10, Chapter 1, Article 1 (commencing with section 15100) of the California Education Code (the "Act"), and a resolution of the Board adopted on April 27, 2010 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Series E Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Series E Bonds. The Series E 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 Series E Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) 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 (the "Code"), and (iii) interest on the Series E Bonds is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with

* Preliminary, subject to change.

certain of such covenants could cause interest on the Series E Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series E Bonds. It is also our opinion that the Series E Bonds are "qualified tax exempt obligations" under section 265(b)(3) of the Code.

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

Ownership of the Series E 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 Series E Bonds.

The rights of the owners of the Series E Bonds and the enforceability of the Series E Bonds and the 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.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. 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 C

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

FORM OF SERIES D CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the WALNUT CREEK SCHOOL DISTRICT (the "District"), located in Contra Costa County (the "County"), California, in connection with the issuance of $2,000,000* Walnut Creek School District General Obligation Bonds, Election of 2002, Series D (the "Bonds"). The Bonds are being issued and secured pursuant to the provisions of Resolution No. 09-10-24 of the Governing Board of the District, adopted on April 12, 2010 (the "District Resolution"), Resolution No. 2010/204 of the Board of Supervisors of the County, adopted April 27, 2010 (the "County Resolution" and, with the District Resolution, the "Resolutions"), the California Constitution, Article 1 of Chapter 1.5 of part 10 of Division 1 of Title 1 of the California Education Code and other applicable law. The Bonds are payable from and secured by *ad valorem* taxes levied against taxable property within the District pursuant to California law. The District covenants and agrees as follows:

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

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

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

"*Beneficial Owner*" shall mean any person which (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 KNN Public Finance 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 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.

"*Holders*" shall mean registered owners of the Bonds.

"*Listed Events*" shall mean any of the events listed in Section 5(a) 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 any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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* Preliminary, subject to change.

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

"*State*" shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report to MSRB*. The District shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2009-2010 Fiscal Year, which is due not later than March 30, 2011, provide to the Participating Underwriter and to 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) Not later that thirty (30) days (nor more than sixty (60) days) prior to such date the Dissemination Agent (if other than the District) shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate.

(c) *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(d).

(d) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) 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.

(e) *Report of Non-Compliance*. If the District is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached as Exhibit A.

(f) *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 provided pursuant to this Disclosure Certificate, stating the date it was provided.

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

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. 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) Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements) based on the most recently completed fiscal year or an identified date (as stated in such Annual Report):

(i) average daily attendance of the District for the last completed fiscal year;
(ii) outstanding District indebtedness;
(iii) tax delinquencies, to the extent the County is no longer on the Teeter Plan; and
(iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

(c) 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 the MSRB's Internet web site or filed with the Securities and Exchange Commission. 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) 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 or information (as set forth herein), in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

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

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

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

(c) *Notice to Dissemination Agent*. If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d). The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b)

(d) *Notice of Listed Events*. The District shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) (defeasances) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds.

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.

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. The initial Dissemination Agent shall be KNN Public Finance.

(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 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, Holders 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.

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 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), 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; and

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bond Holders in the same manner as provided in the Resolutions for amendments to the Resolutions 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(d), 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 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) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 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 Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: [Closing Date]

WALNUT CREEK SCHOOL DISTRICT

By ____
Superintendent

ACCEPTED

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Signatory

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Walnut Creek School District

Name of Bond Issue: Walnut Creek School District General Obligation Bonds, Election of 2002, Series D

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated March 24, 2010, furnished by the District in connection with the Bond Issues. The District anticipates that the Annual Report will be filed by ______________.

Date: ______________

KNN PUBLIC FINANCE, as Dissemination Agent

By ______________________________________
Authorized Signatory

FORM OF SERIES E CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the WALNUT CREEK SCHOOL DISTRICT (the "District"), located in Contra Costa County (the "County"), California, in connection with the issuance of $1,996,653.05* Walnut Creek School District General Obligation Bonds, Election of 2002, Series E (the "Bonds"). The Bonds are being issued and secured pursuant to the provisions of Resolution No. 09-10-25 of the Governing Board of the District, adopted on April 12, 2010 (the "District Resolution"), Resolution No. 2010/205 of the Board of Supervisors of the County, adopted April 27, 2010 (the "County Resolution" and, with the District Resolution, the "Resolutions"), the California Constitution, Article 1 of Chapter 1.5 of part 10 of Division 1 of Title 1 of the California Education Code and other applicable law. The Bonds are payable from and secured by *ad valorem* taxes levied against taxable property within the District pursuant to California law. The District covenants and agrees as follows:

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

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

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

"*Beneficial Owner*" shall mean any person which (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 KNN Public Finance 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 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.

"*Holders*" shall mean registered owners of the Bonds.

"*Listed Events*" shall mean any of the events listed in Section 5(a) 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 any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

"*State*" shall mean the State of California.

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* Preliminary, subject to change.

Section 3. <u>Provision of Annual Reports</u>.

(a) *Delivery of Annual Report to MSRB*. The District shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2009-2010 Fiscal Year, which is due not later than March 30, 2011, provide to the Participating Underwriter and to 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) Not later that thirty (30) days (nor more than sixty (60) days) prior to such date the Dissemination Agent (if other than the District) shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate.

(c) *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(d).

(d) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) 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.

(e) *Report of Non-Compliance*. If the District is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached as Exhibit A.

(f) *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 provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. 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) Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements) based on the most recently completed fiscal year or an identified date (as stated in such Annual Report):

(i) average daily attendance of the District for the last completed fiscal year;
(ii) outstanding District indebtedness;
(iii) tax delinquencies, to the extent the County is no longer on the Teeter Plan; and
(iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

(c) 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 the MSRB's Internet web site or filed with the Securities and Exchange Commission. 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) 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 or information (as set forth herein), in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

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

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

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

(c) *Notice to Dissemination Agent*. If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d). The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b)

(d) *Notice of Listed Events*. The District shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) (defeasances) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds.

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.

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. The initial Dissemination Agent shall be KNN Public Finance.

(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 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, Holders 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.

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 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), 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; and

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bond Holders in the same manner as provided in the Resolutions for amendments to the Resolutions 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(d), 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 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) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 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 Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: [Closing Date]

WALNUT CREEK SCHOOL DISTRICT

By ______________________________
Superintendent

ACCEPTED

KNN PUBLIC FINANCE, as Dissemination Agent

By ______________________________
Authorized Signatory

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Walnut Creek School District

Name of Bond Issue: Walnut Creek School District General Obligation Bonds, Election of 2002, Series E

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated March 24, 2010, furnished by the District in connection with the Bond Issues. The District anticipates that the Annual Report will be filed by _______________.

Date: _______________

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Signatory

APPENDIX D

BOOK-ENTRY 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 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 Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the 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 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 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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APPENDIX E

TABLE OF ACCRETED VALUES FOR SERIES E BONDS

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TABLES OF ACCRETED VALUES
(per $5,000 maturity amount)

Date	Maturity Date and Interest Rate 9/01/2014	Maturity Date and Interest Rate 9/01/2015	Maturity Date and Interest Rate 9/01/2016	Maturity Date and Interest Rate 9/01/2017	Maturity Date and Interest Rate 9/01/2018	Maturity Date and Interest Rate 9/01/2019	Maturity Date and Interest Rate 9/01/2020	Maturity Date and Interest Rate 9/01/2021	Maturity Date and Interest Rate 9/01/2022	Maturity Date and Interest Rate 9/01/2023
09/01/2010										
03/01/2011										
09/01/2011										
03/01/2012										
09/01/2012										
03/01/2013										
09/01/2013										
03/01/2014										
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03/01/2015	—									
09/01/2015	—									
03/01/2016	—	—								
09/01/2016	—	—								
03/01/2017	—	—	—							
09/01/2017	—	—	—							
03/01/2018	—	—	—	—						
09/01/2018	—	—	—	—						
03/01/2019	—	—	—	—	—					
09/01/2019	—	—	—	—	—					
03/01/2020	—	—	—	—	—	—				
09/01/2020	—	—	—	—	—	—				
03/01/2021	—	—	—	—	—	—	—			
09/01/2021	—	—	—	—	—	—	—			
03/01/2022	—	—	—	—	—	—	—	—		
09/01/2022	—	—	—	—	—	—	—	—		
03/01/2023	—	—	—	—	—	—	—	—	—	
09/01/2023	—	—	—	—	—	—	—	—	—	

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